

## FRANCHISE DISCLOSURE DOCUMENT

Franny's Franchising, Inc.  
A North Carolina corporation  
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The franchised business is to provide hemp and CBD products and accessories at competitive prices under the trade name "Franny's Farmacy."

The total investment necessary to begin operation of a Franny's Farmacy franchise is \$216,600 to \$362,500. This includes \$185,000 to \$260,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation under a two to four-unit Multi-Unit Development Agreement (including the first unit) is \$237,600 to \$427,500. This includes \$205,000 to \$320,000 that must be paid to the franchisor or affiliate to open two to four franchised locations. There is no minimum number of Franny's Farmacy units that you are required to develop under the Multi-Unit Development Agreement.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor 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, please contact Frances Tacy at 231 Biltmore Ave., Asheville, NC 28801 and 828-216-2836.

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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: April 28, 2023

## 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchises. You can find their names and contact information in Item 20 or Exhibit H.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Franny's Farmacy business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Franny's Farmacy franchisee?</b>	Item 20 or Exhibit H lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 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 North Carolina. 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 North Carolina than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. The franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

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## EXHIBITS

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty, Non-Compete Agreement, and ACH Authorization)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- F. Financial Statements

- G. Operating Manual Table of Contents
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State Effective Dates  
Receipt (2 copies)

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

In this disclosure document, “we”, “us,” or “our” refers to Franny’s Franchising, Inc.. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

**Us, Any Parents, and Certain Affiliates**

Our name is Franny’s Franchising, Inc. Our principal business address is 231 Biltmore Ave., Asheville, NC 28801. We do not have any parent entities. We do not have any affiliates that offer franchises in any line of business. We do have an affiliate which provides products and services to our franchisees.

Our affiliate, Franny’s Manufacturing, Inc., a North Carolina corporation, manufactures and produces some of the products to be sold in the franchised business. It was incorporated on 3/2019 and is located at 204 Elk Park Rd. Asheville, NC 28804.

Our affiliate, Franny’s Farm, Inc., a North Carolina corporation, may produce some of the hemp and products to be sold from the franchised business location along with agro-tourism services and event services. It was incorporated in 5/2012 and is located at 22 Franny’s Farm Rd, Leicester, NC 28748.

Our affiliate, Franny’s Investments, Inc., a North Carolina corporation, owns some of the operating businesses and stores, was incorporated on 10/2018 and is located at 211 Merrimon Ave, Suite111, Asheville, NC 28801.

Our affiliate, Franny’s Operations, Inc., North Carolina corporation, produces some of the products to be sold in the franchised business. It was incorporated on October 29, 2018 and is located at 231 Biltmore Ave., Ashville, NC 28801. Our former affiliate, Franny’s Distributions, Inc., merged with Franny’s Operations, Inc. on January 4, 2023.

**Our Predecessors**

We do not have any predecessors.

**Our Business Name**

We use the names “Franny’s Franchising, Inc.” and “Franny’s Farmacy”. We do not intend to use any other names to conduct business.

**Agent for Service of Process**

Our agent for service of process in North Carolina is Frances Tacy, and the agent’s principal business address is 231 Biltmore Ave., Asheville, NC 28801. Our agents for service of process in other states are disclosed in Exhibit A.

## Business Organization

We are a North Carolina corporation. We were formed on 5/28/2019.

## Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

If you sign a franchise agreement with us, you will develop and operate a business providing hemp and CBD products and accessories at competitive prices under the trade name Franny's Farmacy. If you sign a Multi-Unit Development Agreement (attached as Exhibit C to this disclosure document), you will develop multiple Franny's Farmacy outlets, on an agreed-upon Development Schedule. For each future unit franchise, we will require you to sign our then-current form of franchise agreement, which may be different from the form of franchise agreement included in this disclosure document.

The general market for our products is essentially unlimited as the product line pertains to all age ranges and demographics, but most customers are purchasing these products for health and wellness reasons. This market is relatively new and undeveloped. Our customers are primarily middle to upper income and 30 or older in age. Sales are not seasonal.

You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

## Laws and Regulations

The following laws and regulations are specific to our industry:

Due to the complex nature of the laws and regulations around the sale of CBD, there are increased risks to you as a franchise owner of this franchised business. You should retain counsel local to your area and familiar with this particular market segment in making this decision and how to operate your franchised business.

The U.S. Food and Drug Administration, and other federal and state agencies and departments, administer and enforce laws, rules and regulations governing agricultural products, cosmetic products, foods and dietary supplements, and the ingredients which may be utilized in foods and dietary supplements. The Agriculture Improvement Act of 2018, (known as the "2018 Farm Bill"), established a new category of cannabis, classified as "hemp," and removed it as a controlled substance under Federal Law. You are offered the opportunity to sell to the retail public, products which contain cannabidiol derived from "hemp." The U.S. Food and Drug Administration and certain states currently take the position that cannabidiol is prohibited from use as an ingredient in food and dietary supplements. There are ongoing efforts at the Federal and state levels to change current restrictions on hemp and cannabidiol, and you should investigate these laws, rules and regulations on a continual basis.

You should investigate and comply with all applicable laws. You should consult with a legal advisor about legal requirements that may apply to your business.

#### Prior Business Experience

We have offered franchises since September 2019. None of our affiliates has offered franchises in other lines of business.

### **Item 2 BUSINESS EXPERIENCE**

**Frances “Franny” Tacy:** Frances has been CEO and President of Franny’s Farmacy since February 2021 and a Board Member of Franny’s Franchising, Inc. since 5/2019. She has also served as CEO of Franny’s Farm, Inc. in Leicester, North Carolina since 2012. She has served as President of Franny’s Distribution, Inc. and as President of Franny’s Manufacturing, Inc. since 2/2021. She also serves as President of Franny’s Investments, Inc. since 10/2018.

**Tynesha Carden:** Tynesha has been the Franchise Development Executive of Franny’s Franchising, Inc. since August 2020. Prior to this, she was a Barista at Target from July 2020 to April 2021 in Arden, NC. Additionally she was in Resident Enrichment at LifeSpan, Inc. from May 2019 to July 2020 in Hendersonville, NC. Before that she was a Group Home Manager at RHA Health Services from March 2018 to February 2019 in Hendersonville, NC.

### **Item 3 LITIGATION**

No litigation is required to be disclosed in this Item.

### **Item 4 BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

### **Item 5 INITIAL FEES**

#### Franchise Fee

When you sign your franchise agreement, you must pay us \$40,000 as the initial franchise fee. This fee is uniform and not refundable. In our last fiscal year ending December 31, 2022, franchisees paid \$27,500 as an initial franchise fee. We offer a 10% discount of the initial franchise fee to veterans, minorities, and women.

#### Territory Hold Fee

We reserve the right to require a \$10,000 deposit from you to hold your intended territory

for up to 30 days. We will retain such deposit in an escrow account until such time as the franchise agreement is signed. If franchisee and franchisor choose not to sign a franchise agreement, we will refund the entire deposit to you within 10 calendar days, minus any costs and expenses incurred by us.

### Opening Inventory

When you purchase a Franchise, you must also invest in the initial opening inventory required to open the franchised business location. The total investment in inventory is \$30,000 to \$50,000 which must be paid to our Affiliate. This fee is not refundable, however the amount of initial inventory may vary depending upon the square footage of your franchised location.

### Build-out

Once you have acquired a location and before the opening of your franchised business, you must pay us for 3 phases of the build out process:

1. Phase 1: \$25,000 to \$30,000 is due at the same time the initial franchise fee is paid. This phase provides your location with hemp wood materials and also covers the initial portion of your Project Management Fee.
2. Phase 2: \$50,000 to \$80,000 is due approximately 6-8 weeks after the Phase 1 fee is paid. This due date is dependent on the arrival of the hemp wood materials required from Phase 1. Phase 2 payment provides your location with signage, lighting and furniture, and POS set up, and also covers the remaining portion of the Project Management Fee.
3. Phase 3: \$30,000 to \$50,000 is due by the franchise business opening date. Initial inventory is also billed at this time, and it is billed from our affiliate Franny's Operations, Inc. The Phase 3 fee includes training fees, website marketing, the training instructor travel reimbursement for franchise business openings, and any additional small items for store décor.

These fees include the store design, project management and build out of your location. We will cover the cost for hemp wood, but not every build out expense. These fees are uniform and not refundable.

### Multi-Unit Development

If you and we agree that you will develop multiple franchises, then you will sign our Multi-Unit Development Agreement ("MUDA") in the form of Exhibit C to this disclosure document. Your franchise fees will be reduced to \$20,000 for each franchise after the first franchise. You will pay all franchise fees upon signing the MUDA. They are not refundable.

**Item 6**  
**OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty	\$500 per month for the first 6 months of operations; 6% of your gross sales or \$500 per month, whichever is greater, beginning your 7 <sup>th</sup> month of operations.	Monthly by the 5 <sup>th</sup> day of the following month	See Note 1 and Note 2.
Marketing Fund Contribution	1% of your gross sales	Monthly by the 5 <sup>th</sup> day of the following month	
Local Marketing	If established, 2% of your gross sales	Monthly	See Item 11 – Marketing Fund for a detailed discussion about the Local Marketing requirement.
Market Cooperative Contribution	As determined by co-op. Currently, none.	Monthly by the 5 <sup>th</sup> day of the following month	We have the right to establish local or regional advertising cooperatives. The maximum contribution that a co-op may require is 5% of gross sales.
Replacement / Additional Training Fee	Currently, \$500 Per Day	Prior to attending training	If you send a manager or other employee to our training program after you open, we will charge our then-current training fee.
Third Party Vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together a reasonable markup or charge for administering the payment program.

Software Subscription	Currently, \$233 per month  Second card reader \$40 per month  Additional register for events \$140	Monthly	We require you to use certain software as described in Item 11. You pay subscription fees directly to the software supplier, and not to us.  This Fee is for the primary POS/Analytics used to operate the day to day business. The pricing may change depending on our POS provider, LightSpeed. LightSpeed subscription for retail, loyalty and analytics. Additional register and portable card reader required for events.
Non-compliance fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.
Late Fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient Funds Fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.

Costs of Collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Special Support Fee	Our then-current fee, plus our expenses. Currently, \$500 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Customer Complaint Resolution	Our expenses	As incurred	We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records Audit	Our actual costs	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Special Inspection Fee	Currently \$600, plus our out-of-pocket costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-Compliance Cure Costs and Fee	Out out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have the required insurance, we may purchase insurance for you), and you will owe us our costs plus a 10% administrative fee.

Transfer Fee	\$10,000 plus any broker fees and other out-of-pocket costs we incur	When transfer occurs	Payable if you sell your business.
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing Party's Legal Costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs, and other expenses.

All fees are payable only to us (other than software subscription charges). All fees are imposed by us and collected by us (other than software subscription charges). All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

#### Notes

1. “Gross Sales” is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

2. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft, which is attached at *Attachment 4* to the franchise agreement. However, we can require an alternative payment method.

## Item 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT

Type of expenditure <sup>1</sup>	Amount	Method of payment	When due	To Whom Payment Is Made
Territory Hold Fee	\$10,000 - \$10,000	Check or wire transfer	Upon requesting the franchise agreement	Us
Initial Franchise Fee (see Note 2)	\$36,000 - \$40,000	Check or wire transfer	Upon signing the franchise agreement	Us
Phase 1 Build-out Fee	\$25,000 - \$30,000	Check or wire transfer	Upon signing the franchise agreement	Us
Phase 2 Build-out Fee	\$50,000 - \$80,000	Check or wire transfer	6-8 weeks after Phase 1 Build-out Fee is due	Us
Phase 3 Build-out Fee	\$30,000 - \$50,000	Check or wire transfer	The franchise business opening date	Us
Rent and Lease Security Deposit (see Note 3)	\$1,000 - \$8,000	Check	Upon signing lease	Landlord
Rent and Lease (for first 4 months)	\$0 - \$8,000	Check	As incurred or when billed	Landlord
Utilities	\$250 - \$1,000	Check, debit, and/or credit	Upon ordering service	Utility providers
Leasehold Improvements	\$10,000 - \$40,000	Check	As incurred or when billed	Contractors
Computer Systems and Software	\$800 - \$1,200	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance	\$250 - \$2,500	Check	Upon ordering	Insurance company
Office Expenses	\$500 - \$1,000	Check, debit, and/or credit	As incurred	Vendors
Inventory	\$30,000 - \$50,000	Check, debit, and/or credit	Upon ordering	Our Affiliate
Licenses and Permits	\$400 - \$1,000	Check	Upon application	Government
Dues and Subscriptions	\$200 - \$400	Check, debit, and/or credit	As incurred	Vendors, trade organizations

Professional Fees (lawyer, accountant, etc.)	\$1,500 - \$3,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$700 - \$1,400	Cash, debit or credit	As incurred	Airlines, hotels and restaurants
Additional Funds (for first 3 months) (See Note 4)	\$20,000 - \$35,000	Varies	Varies	Employees, suppliers, utilities
<b>Total</b>	<b>\$216,600 - \$362,500</b>			

### **YOUR ESTIMATED INITIAL INVESTMENT - MULTI UNIT DEVELOPMENT AGREEMENT**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
First franchise (see table above)	\$216,600 - \$362,500	Varies	Varies	Varies
Additional initial franchise fees (see Note 5)	\$20,000 - \$60,000	Check or wire transfer	Upon signing the MUDA	Us
Business planning and miscellaneous expenses	\$1,000 - \$5,000	Check	As incurred	Vendors and suppliers
<b>Total</b>	<b>\$237,600 - \$427,500</b>			

#### Notes

1. Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate will provide direct or indirect financing of any part of your initial investment.

2. The Initial Franchise Fee will be discounted by ten percent (10%) if you are a veteran, minority, or a female.

3. Our estimates in this table assume you pay one month rent plus a security deposit before you open for business. For this to occur, you would need to negotiate a "free rent" period for the time it takes to build out your business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different.

4. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of a Franny's Farmacy business by our affiliate, and our general knowledge of the industry.

5. This estimate assumes you sign a Multi-Unit Development Agreement for two to four franchises. The franchise fee for your first unit is counted in the "Estimated Initial Investment Franchise Agreement" table. Your initial franchise fees are reduced to \$20,000 for the second and each additional franchise. You will pay all franchise fees upon signing the MUDA. The "Estimated Initial Investment Franchise Agreement" table includes initial investment expenses for the first unit purchased under a MUDA but does not include initial investment expenses that would be required for each subsequent opening. You will be responsible for these expenses at the time of each unit opening.

## **Item 8** **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

### Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D).

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (v) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any

insurance carried by us or our affiliates, and must stipulate that we receive 30 days' prior written notice of cancellation.

C. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

D. Inventory and Supplies. Inventory will be purchased from our Affiliate, Franny's Operations, Inc, this will include the CBD products, supplies and items to be sold from the franchised business.

#### Us or our Affiliates as Supplier

Our affiliate, Franny's Operations, Inc, is a supplier of goods that you must purchase. These goods include

You will purchase all inventory, CBD products and supplies from our Affiliate which you will sell from the franchised business location.

#### Ownership of Suppliers

Our founder/owner, Frances Tacy, owns 100% of Franny's Operations, Inc, which is the only approved supplier for all inventory, CBD products, and suppliers.

#### Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

#### Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

#### Revenue to Us and Our Affiliates

We and our affiliates will derive revenue from the required purchases and leases by franchisees. Our affiliate, Franny's Distributions', total revenue in the prior fiscal year ending December 31, 2022 was \$2,675,391. Our affiliate, Franny's Distributions' revenue from all required purchases and leases of products and services by franchisees in the prior fiscal year ending December 31, 2022 was \$439,834.19. The percentage of our affiliate's total revenues that were from required purchases or leases in the prior fiscal year ending December 31, 2022 was 16%.

#### Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 85% to 95% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 95% to 100% of your total purchases and leases of goods and services to operate your business.

#### Payments by Designated Suppliers to Us

We will receive payments from designated suppliers from franchisee purchases based on the following: You will purchase all inventory, products and supplies which will be sold through the franchised business through our Affiliate, Franny's Operations Inc.

#### Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

#### Negotiated Arrangements

We reserve the right to negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

#### Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

### **Item 9 FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement (FA)</b>	<b>Disclosure document item</b>
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11

d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.8, 8.4, 10.5, 11.2, 11.3, 14.5, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.3, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	§ 7.3, Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 3.2, 7.12, 7.13	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Item 17
v. Post-termination obligations	Article 13, §§ 14.3, 14.4, 14.5	Item 17

w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

**This table lists your principal obligations under the multi-unit development agreement. It will help you find more detailed information about your obligations in the multi-unit development agreement and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Multi-Unit Development Agreement (MUDA)</b>	<b>Disclosure document item</b>
a. Site selection and acquisition/lease	§ 3	Item 11
b. Pre-opening purchase/leases	Not Applicable	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Not Applicable	Items 5, 7, 8 and 11
d. Initial and ongoing training	Not Applicable	Items 5, 6, 8 and 11
e. Opening	§ 1	Items 7, 8 and 11
f. Fees	§ 1	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Not Applicable	Items 8, 11 and 14
h. Trademarks and proprietary information	Not Applicable	Items 13 and 14
i. Restrictions on products/services offered	Not Applicable	Items 8, 11 and 16
j. Warranty and customer service requirements	Not Applicable	Item 8
k. Territorial development and sales quotas	§ 1	Item 12
l. Ongoing product/service purchases	Not Applicable	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Not Applicable	Items 6, 7 and 8
n. Insurance	Not Applicable	Items 6, 7 and 8

o. Advertising	Not Applicable	Items 6, 7, 8 and 11
p. Indemnification	Not Applicable	Items 6 and 8
q. Owner's participation/management/staffing	Not Applicable	Items 15
r. Records and reports	Not Applicable	Item 11
s. Inspections and audits	Not Applicable	Items 6 and 11
t. Transfer	Not Applicable	Items 6 and 17
u. Renewal	Not Applicable	Item 17
v. Post-termination obligations	Not Applicable	Item 17
w. Non-competition covenants	Not Applicable	Item 17
x. Dispute resolution	§ 7	Items 6 and 17

## **Item 10 FINANCING**

We do not offer direct financing. We do not guarantee your note, lease or obligations.

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

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

### **Our Pre-Opening Obligations**

Before you open your business:

A. *Your site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.4). If you sign a Multi-Unit Development Agreement, we will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

(i) We generally do not own your premises.

- (ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. Your site is subject to our approval. To obtain our approval, you must provide all information and documents about the site that we require. We will review and approve sites for future/ additional units under the Multi-Unit Development Agreement using our then-current site criteria.
- (iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.
- (iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement with no refund due to you.
- (v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises.* We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required décor. (Section 5.4)

C. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training employees. All hiring decisions and conditions of employment are your sole responsibility.

D. *Necessary equipment, signs, fixtures and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, and supplies necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Opening Inventory.* We will provide you with the opening inventory and will deliver this to directly to your location upon ordering. You will purchase inventory from our affiliate owned business.

F. *Operating Manual.* We will give you access to our Operating Manual (Section 5.1).

G. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

H. *Business plan review.* If you request, we will review your pre-opening business plan and financial projections. (Section 5.4)

I. *Market introduction plan.* We will advise you regarding the planning and execution of your market introduction plan. (Section 5.4)

J. *On-site opening support.* We will attempt to have a representative provide on-site support for at least 2 days in connection with your business opening. (Section 5.4)

### Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is 3-5 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, and hire employees. You will not be permitted to open for business until a representative from us has approved your business for opening. In order for our representative to approve you to open for business, you must satisfy the following conditions: (1) You are in compliance with your franchise agreement, (2) you have obtained all applicable governmental permits and authorizations, (3) the business conforms to all applicable System Standards, (4) we have inspected and approved the business, (5) you have hired sufficient employees, and (6) your officers and employees have completed all of the required pre-opening training. If these conditions are met, we will give our written approval to open, which will not be reasonably withheld.

### Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$500 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5)

D. *Establishing prices.* Upon your request, we will provide recommended prices for products and services. (Section 5.5). We have the right to require you to offer products and services at specific prices we determine if we are promoting such products and services on a national, regional, or local market basis, for the duration of the promotion (but only to the extent permitted

by applicable law).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Marketing Fund.* We will administer the Marketing Fund (Section 5.5). We will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon request. (Section 9.3)

G. *Website.* We will maintain and host the website for the Franny's Farmacy brand, which will include your location URL, business information and telephone number. (Section 5.5)

### Advertising

*Our obligation.* We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We may use the Marketing Fund to pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining the brand website or related websites; developing and maintaining application software designed to run on computers and similar devices; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing activities; and/or related strategies. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

*Your own advertising material.* You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, you agree to assign all rights and ownership of the marketing materials to us, without any payment to you.

*Advertising council.* We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

*Local or Regional Advertising Cooperatives.* We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% and not more than 5% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate

responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

*Marketing Fund.* You and all other franchisees must contribute to our Marketing Fund. Your contribution is 1% of gross sales per month. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Marketing Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request.

In the previous fiscal year ending December 31, 2022, we collected \$22,788 in Marketing Fund contributions. Of this amount, 50% was spent on media production, 50% was spent on media placement, 25% was spent on media production, and 25% was spent on administrative expenses.

Although all the funds were used in our last fiscal year, if less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

*Market introduction plan.* You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business. You will be required to participate in our Initial Launch Campaign with Sinclair Broadcast Group throughout the first 90 days after you open. Cost is estimated to be between \$3,000 and \$5,000 per month in connection with your Initial Launch Campaign.

*Required spending.* After you open, you must spend at least 2% of gross sales each month on marketing your business.

#### Point of Sale and Computer Systems

We require you to buy (or lease) and use a point-of-sale system and computer system as follows:

LightSpeed – Required POS

iPad Bundle - include additional mobile card reader, and additional register for events lightspeed subscription for retail, loyalty and analytics. Additional register and portable card reader required for events.

The system provides management and operating tools needed to manage the day to day business. These systems will generate or store data such as sales data, customer information, employee and labor information, inventory, and financial reports.

We estimate that these systems will cost between \$800 and \$1,200 to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do require that you enter into a contract with a third party.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be \$189 per month.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

#### Operating Manual

See Exhibit G for the table of contents of our Operating Manual as of the date this disclosure document, with the number of pages devoted to each subject. The total number of pages in the Operating Manual is 245. Our Operating Manual will be made available upon payment of the initial franchise fee.

#### Training Program

Our training program consists of the following:

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training*</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Establishing the Franchised Business <ul style="list-style-type: none"><li>• Location Design</li><li>• Inventory Overview</li><li>• Business Model</li><li>• Branding</li><li>• Industry</li><li>• History of the Company</li><li>• Welcome to Franny's (Progress Retail)</li><li>• The Learning Journey (Progress Retail)</li></ul>	3 hours	41 hours	Remote/ Asheville, NC
The Product Lines and SKU's <ul style="list-style-type: none"><li>• Types of Products</li><li>• Knowledge about Benefits of</li></ul>	12 hours 25 minutes	2 hours	Remote/ Asheville, NC

Products <ul style="list-style-type: none"> <li>• Inventory Management</li> <li>• Communicating with Customers</li> <li>• C.A.R.E. Customer Cannabis (Progress Retail)</li> <li>• Cannabis Retail Education: Series 1</li> </ul>			
Marketing and Promotions <ul style="list-style-type: none"> <li>• Brand</li> <li>• Lead Generation</li> <li>• Advertising</li> <li>• Converting Traffic to Sales</li> <li>• Value Proposition</li> </ul>	2 hours	2 hours	Remote/ Asheville, NC
Operations and Management <ul style="list-style-type: none"> <li>• Staffing</li> <li>• Management</li> <li>• Culture</li> </ul>	1 hour	1 hour	Remote/ Asheville, NC
Administrative <ul style="list-style-type: none"> <li>• Insurance</li> <li>• Payroll</li> <li>• Taxes</li> <li>• Banking</li> </ul>	2 hours	2 hours	Remote/ Asheville, NC
Building a Plan You Can Execute <ul style="list-style-type: none"> <li>• Goals and Objectives</li> <li>• Working with Resources</li> <li>• Executing</li> <li>• Bring C.A.R.E. to Life In-Store (Progress Retail)</li> </ul>	1 hour 30 minutes	0	Remote/ Asheville, NC
<b>Total</b>	<b>22 hours*</b>	<b>48 hours</b>	

Training classes will be led or supervised by our Corporate Trainer. Initial Training will be in two parts: Part 1 will be held at the Corporate Offices prior to opening; Part 2 will be comprised of on-the-job training at the franchised business location upon the store opening. The classroom training hours will be conducted via virtual training videos by Project Retail. Ongoing training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes three to six times per year. Training will be held at our offices and business locations in North Carolina. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of the Operating Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led or supervised by our General Manager, Mike O'Dekirk. Mike has been the General Manager of our affiliated corporate locations since May 2022. Mike has successfully completed our corporate training.

You must pay the travel and living expenses of people attending training.

You must attend training. You may send any additional persons to training as agreed. You must complete training to our satisfaction at least four weeks before opening your business. If you do not complete training to our satisfaction, we may terminate your franchise agreement with no refund due to you.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If you need to send a new general manager to our training program, we will charge a fee, which is currently \$500 per day. Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12 TERRITORY**

### Your Location

Your franchise is for a specific location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

If you sign a Multi-Unit Development Agreement (“MUDA”) in the form attached as Exhibit C to this disclosure document, we will approve sites for future/ additional locations based on our then-current site criteria.

### Grant of Territory

Your franchise agreement will specify a territory, which will be determined by us. The territory will include a defined area and will generally be documented as a 3-mile radius from the location in urban areas or a 5-mile radius from the location in rural areas. If your location is based at a Non-Traditional Location, then it will not have any designated Territory.

### Relocation; Establishment of Additional Outlets

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

You do not have the right to establish additional franchised outlets unless you sign a MUDA. If you and we sign a MUDA, then you will have the right to establish a mutually-agreed number of

additional outlets on a mutually-agreed schedule. Under the MUDA, your right to develop additional outlets is subject to (1) you must comply with the mutually-agreed development schedule, (2) you must have sufficient financial and organizational capacity to develop, open, operate, and manage each additional Franny's Farmacy business, (3) you must be in compliance with all brand requirements at your open Franny's Farmacy business(es), and (4) you must not be in default under any other agreement with us. We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. You are not obligated to develop additional outlets under the MUDA, and you may terminate it any time without penalty. If you do not meet your development schedule in the MUDA, we have the right to terminate your right to develop additional outlets.

#### Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

#### Territory Protection

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.

We grant you a protected territory. In your territory, we will not establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks as a Franny's Farmacy outlet.

We and our affiliates will have the right, in our sole discretion, under the Franchise Agreement to: (i) own and operate businesses at any location(s) outside your territory under the same or different trademarks, or to license others the right to own and operate businesses at any location(s) outside your territory under the same or different trademarks; (ii) use the trademarks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including but not limited to sales via the Internet at any location, including within the territory; (iii) own and operate businesses, or market similar products and services, at any location(s) inside your territory under different marks, or to license others the right to own and operate businesses, or market similar products and services at any location(s) inside your territory under different trademarks; (v) own and operate or grant franchises to others to operate businesses under the same or different trademarks in transportation facilities, including airports and train stations; military bases and government offices and facilities; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals and health care facilities; fitness businesses; malls; schools and universities; or any similar captive market or any other location to which access to the general public is restricted (a "Non-Traditional Locations"); (vi) acquire, or be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere; and (vii) engage and license other parties to engage in any other activities not expressly prohibited by the Franchise Agreement. Neither we or our affiliate are required to pay you if we exercise any of the rights specified above.

If any Non-Traditional Location is located within the physical boundaries of your territory, then the premises of this Non-Traditional Location will not be included in your territory and you will have no rights to this Non-Traditional Location.

The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency. There are no circumstances that permit us to modify your territorial rights.

If you sign a MUDA, you do not receive an exclusive territory as an area developer. Therefore, with respect to a MUDA, we make the following disclosure: 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.

#### Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We may compensate you for soliciting or accepting orders from inside your territory.

#### Soliciting by You Outside Your Territory

There are no restrictions on you from soliciting or accepting orders from consumers outside of your territory, except that we reserve the right to control all internet-based marketing.

#### Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

### **Item 13 TRADEMARKS**

#### Principal Trademark

The following is the principal trademark that we license to you. It is registered on the Principal Register of the United States Patent and Trademark Office.

Trademark	Registration Date	Registration Number
	6/22/2021	88335892

Because the federal trademark registration is less than six years old, no affidavits are required at this time. The registration has not yet been renewed.

## Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

## Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

## Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

Under an Intercompany License Agreement between us and Frances Tacy, we have been granted the exclusive right to sublicense the trademarks to franchisees throughout the United States. The agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be canceled by our affiliate only if (1) we materially misuse the trademarks and fail to correct the misuse, or (2) we discontinue commercial use of the trademarks for a continuous period of more than one year. The Intercompany License Agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

## Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense.

## Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

**Item 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

**Patents**

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

**Copyrights**

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights.

We do not know of any copyright infringement that could materially affect you.

Under the franchise agreement, we may require you to modify or discontinue using a copyright, at your sole expense.

**Proprietary Information**

We have a proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operating Manual and other information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

### **Item 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

##### Your Participation

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate. Our preference for all first franchises is that they are owner-operated.

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business and their spouses must sign our Guaranty and Non-Compete Agreement (see Attachment 3 to Exhibit B).

##### “On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

##### Restrictions on Your Manager

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you place any other restrictions on your manager.

### **Item 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

We do not restrict your access to customers, except that all sales must be made at or from your premises.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in franchise agreement</b>	<b>Summary</b>
a. Length of the franchise term	§ 3.1	10 years from date of franchise agreement.
b. Renewal or extension of the term	§ 3.2	You may obtain a successor franchise agreement for additional 5-year terms.
c. Requirements for franchisee to renew or extend	§ 3.2	For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.  To renew, you must give notice to us of your intent to renew between 90 and 180 days prior to the end of the term; be in compliance with all contractual obligations to us and third parties; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law).  If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or deem you to have renewed your agreement for a 5-year term.

d. Termination by franchisee	§ 14.1	FA: If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	§ 14.2	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity.
g. "Cause" defined--curable defaults	§ 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
h. "Cause" defined--non- curable defaults	§ 14.2	FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
i. Franchisee's obligations on termination/non-renewal	§§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
j. Assignment of agreement by franchisor	§ 15.1	Unlimited
k. "Transfer" by franchisee - defined	Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor's approval of transfer by franchisee	§ 15.2	No transfers without our approval.

m. Conditions for franchisor's approval of transfer	§ 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you've made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor's right of first refusal to acquire franchisee's business	§ 15.5	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor's option to purchase franchisee's business	Not Applicable	
p. Death or disability of franchisee	§§ 2.4, 15.4	If you die or become incapacitated, a new principal operator acceptable to us must be designated to operate the business, and your executor must transfer the business to a third party within nine months.
q. Non-competition covenants during the term of the franchise	§ 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any competitor.
r. Non-competition covenants after the franchise is terminated or expires	§ 13.2	For two years, no ownership or employment by a competitor located within five miles of your former territory or the territory of any other Franny's Farmacy business operating on the date of termination.
s. Modification of the agreement	§ 18.4	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	§ 18.3	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.

u. Dispute resolution by arbitration or mediation	§ 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	§§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Leicester, North Carolina) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	§ 18.8	North Carolina (subject to applicable state law).

**This table lists certain important provisions of the multi-unit development agreement. You should read these provisions in the multi-unit development agreement attached to this disclosure document.**

Provision	Section in multi-unit development agreement	Summary
a. Length of the franchise term	Not Applicable	Not Applicable
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	§ 4	If you sign a Multi-Unit Development Agreement, termination of your MUDA does not give us the right to terminate your

		franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your MUDA.
g. "Cause" defined--curable defaults	Not Applicable	Not Applicable
h. "Cause" defined--non- curable defaults	§ 4	Failure to meet development schedule; violation of franchise agreement or other agreement which gives us the right to terminate it.
i. Franchisee's obligations on termination/non-renewal	Not Applicable	Not Applicable
j. Assignment of agreement by franchisor	§ 7	Unlimited
k. "Transfer" by franchisee - defined	Background Statement	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor's approval of transfer by franchisee	§ 7	No transfers without our approval.
m. Conditions for franchisor's approval of transfer	Not Applicable	Not Applicable
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable

s. Modification of the agreement	§ 7	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	§ 7	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement (or MUDA) may not be enforceable. However, no claim made in any franchise agreement (or MUDA) is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 7	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	§ 7	Arbitration will take place where our headquarters is located (currently, Leicester, North Carolina) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	§ 7	North Carolina (subject to applicable state law).

## **Item 18** **PUBLIC FIGURES**

Frances "Franny" Tacy will serve as a public figure to promote our franchise. Franny is not currently compensated outside of her ownership in the franchise company; however, we may compensate her for promotion of the franchise in the future. Outside of this, we do not use any public figures to promote our franchise.

## **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 outlets, 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 outlet 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.

Set forth below are historical data for certain Franny's Farmacy outlets owned and operated by our Affiliate, Franny's Investments, Inc., as well as owned and operated by our franchisees that were open and operating from January 1, 2022 to December 31, 2022 (the "Reporting Period"). As of December 31, 2022, there were 3 Franny's Farmacy businesses open and operating under our Affiliate: Asheville, NC (Merrimon), Hendersonville, NC, and Asheville, NC (Biltmore). None of our affiliates pay a royalty, or marketing fee, and as such, those figures have been imputed.

As December 31, 2022, there were 7 franchisee-owned locations operating; this Item 19 reflects 4 of those 7 outlets. One outlet, Westport, CT, was left out of these representations because their business is substantially different than the business offered under this franchise disclosure document. Another outlet, Greenville, NC, was left out because it began its operations in September 2022, and therefore was not in operation for the full Reporting Period. The last outlet, Athens, GA, was not included because this franchisee failed to submit their required financial reports upon multiple requests.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

**Asheville, NC (Merrimon) – Affiliate- Owned**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$388,387.41</b>	<b>100%</b>
<b>Expenses</b>		
Costs of Goods Sold	\$204,029.65	53%
Cost of Labor	\$124,532.55	32%
Estimated Royalties	\$23,303.24	6%
Estimated Marketing Fund Contribution	\$3,883.87	1%
<b>Gross Profit</b>	<b>\$32,638.10</b>	

**Hendersonville, NC – Affiliate- Owned**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$319,972.17</b>	<b>100%</b>
<b>Expenses</b>		
Costs of Goods Sold	\$162,316.23	51%
Cost of Labor	\$109,761.31	34%
Estimated Royalties	\$19,198.33	6%
Estimated Marketing Fund Contribution	\$3,199.72	1%
<b>Gross Profit</b>	<b>\$25,496.58</b>	

**Asheville, NC (Biltmore) – Affiliate- Owned**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$173,170.58</b>	<b>100%</b>
<b>Expenses</b>		
Costs of Goods Sold	\$96,846.01	56%
Cost of Labor	\$73,725.67	42%
Estimated Royalties	\$10,390.23	6%
Estimated Marketing Fund Contribution	\$1,731.71	1%
<b>Gross Profit</b>	<b>(-\$9,523.04)</b>	

**Hickory, NC**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$348,799.03</b>	<b>100%</b>
<b>Expenses</b>		
Costs of Goods Sold	\$155,156.09	44%
Cost of Labor	\$53,522.89	15%
<b>Gross Profit</b>	<b>\$140,120.05</b>	

**Warrenton, VA**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$209,637.00</b>	<b>100%</b>
<b>Expenses</b>		
Costs of Goods Sold	\$58,790.91	28%
Cost of Labor	\$104,852.65	50%
<b>Gross Profit</b>	<b>\$45,993.44</b>	

**Augusta, GA**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$247,941.51</b>	<b>100%</b>
<b>Expenses</b>		
Costs of Goods Sold	\$96,641.32	39%
Cost of Labor	\$27,612.05	11%
<b>Gross Profit</b>	<b>\$123,688.14</b>	

**Alpharetta, GA**

**January 1, 2022 – December 31, 2022**

	<b>\$ Amount</b>	<b>% of Sales</b>
<b>Gross Sales</b>	<b>\$45,099.03</b>	<b>100%</b>
<b>Expenses</b>		

Costs of Goods Sold	\$23,742.22	53%
Cost of Labor	\$28,838.45	64%
<b>Gross Profit</b>	<b>(-) \$7,481.64</b>	

Notes:

1. The foregoing data are historic financial performance representations. They are not projections of future performance.
2. The earnings claims figures do not reflect the operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit.
3. “Gross Sales” is the total revenue and income collected for the calendar year 2022.
4. “Cost of Goods Sold” is the total of all merchandise for resale including all CBD oil products for the calendar year 2022.
5. “Cost of Labor” is the total payroll cost associated with the affiliate locations for the calendar year 2022.
6. Our Affiliate does not pay royalties or marketing fees to us and are not required to spend a defined amount in their local areas for marketing. These fees are estimates of what the represented affiliate locations would have incurred for these fees.
7. Written substantiation for this financial performance representation is available upon reasonable request.
8. We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with an attorney and other advisors before signing the Franchise Agreement.

Other than the preceding financial performance representation, Franny's Franchising, Inc. does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 outlet, however, we may provide you with the actual records of that outlet. 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 Frances Tacy, 231 Biltmore Ave., Asheville, NC 28801, and 828-216-2836, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **Item 20** **OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For years 2020 to 2022**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change

Franchised	2020	1	4	+3
	2021	4	6	+2
	2022	6	7	+1
Company-Owned	2020	4	4	0
	2021	4	4	-1
	2022	4	3	-1
Total Outlets	2020	5	8	+3
	2021	8	10	+2
	2022	10	10	0

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
N/A	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Table 3**  
**Status of Franchised Outlets**  
**For years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Connecticut	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Georgia	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
North Carolina	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2

	2022	2	1	0	0	0	1	2
Virginia	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	1	3	0	0	0	0	4
	2021	4	2	0	0	0	0	6
	2022	6	2	0	0	0	1	7

**Table 4**  
**Status of Company-Owned Outlets**  
**For years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
North Carolina	2020	3	0	0	0	0	3
	2021	3	1	0	1	0	3
	2022	3	0	0	0	0	3
South Carolina	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
Totals	2020	4	0	0	0	0	4
	2021	4	1	0	1	0	4
	2022	4	0	0	1	0	3

**Table 5**  
**Projected Openings As Of December 31, 2022**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year
Florida	1	4	0
New York	0	1	0
North Carolina	0	1	0
Oregon	0	1	0

Totals	1	7	0
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### Current Franchisees

Exhibit H contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

### Former Franchisees

Exhibit H contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet 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 have not communicated with us within 10 weeks of the disclosure document issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

### Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

### Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

## **Item 21 FINANCIAL STATEMENTS**

Exhibit F contains our audited financial statements for our fiscal year ending December 31, 2022, December 31, 2021, and December 31, 2020. Our fiscal year end is December 31.

## **Item 22 CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement

- E. Form of General Release
- J. State Addenda to Agreements

**Item 23**  
**RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

## EXHIBIT A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 (866) 275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce	Commissioner of Commerce

	Securities-Franchise Registration 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8285	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



## FRANCHISE AGREEMENT

<b>SUMMARY PAGE</b>	
<b>1. Franchisee</b>	_____
<b>2. Initial Franchise Fee</b>	\$_____
<b>3. Development Area</b>	_____
<b>4. Business Location</b>	_____
<b>5. Territory</b>	_____
<b>6. Opening Deadline</b>	_____
<b>7. Principal Executive</b>	_____
<b>8. Franchisee's Address</b>	_____

## FRANCHISE AGREEMENT

This Agreement is made between Franny's Franchising, Inc., a North Carolina corporation ("Franny's Franchising"), and Franchisee effective as of the date signed by Franny's Franchising (the "Effective Date").

### Background Statement:

A. Franny's Franchising and its affiliates Franny's Farmacy, Inc., Franny's Operations, Inc, Franny's Farm, Inc., Franny's Investments, Inc. and Franny's Manufacturing, Inc. have created and own a system (the "System") for developing and operating a business providing hemp and CBD products and accessories at competitive prices under the trade name "Franny's Farmacy".

B. The System includes (1) methods, procedures, and standards for developing and operating a Franny's Farmacy business, (2) plans, specifications, equipment, signage and trade dress for Franny's Farmacy businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by Franny's Franchising from time to time.

C. The parties desire that Franny's Franchising license the Marks and the System to Franchisee for Franchisee to develop and operate a Franny's Farmacy business on the terms and conditions of this Agreement.

### ARTICLE 1. DEFINITIONS

**"Action"** means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

**"Approved Vendor"** means a supplier, vendor, or distributor of Inputs which has been approved by Franny's Franchising.

**"Business"** means the Franny's Farmacy business owned by Franchisee and operated under this Agreement.

**"Competitor"** means any business which offers CBD/hemp products for sale.

**"Confidential Information"** means all non-public information of or about the System, Franny's Franchising, and any Franny's Farmacy business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

**"Gross Sales"** means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of

business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

**“Input”** means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

**“Location”** means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

**“Losses”** includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of Franny’s Franchising’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

**“Manual”** means Franny’s Franchising’s confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

**“Marketing Fund”** means the fund established (or which may be established) by Franny’s Franchising into which Marketing Fund Contributions are deposited.

**“Marks”** means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by Franny’s Franchising from time to time for use in a Franny’s Farmacy business.

**“Net Sales”** means Gross Sales less (i) discounts given to customer, (ii) product costs, and (iii) shipping costs.

**“Owner”** means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

**“Remodel”** means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Franny’s Farmacy business.

**“Required Vendor”** means a supplier, vendor, or distributor of Inputs which Franny’s Franchising requires franchisees to use.

**“System Standards”** means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by Franny’s Franchising, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information

management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

**“Territory”** means the territory stated on the Summary Page. If no territory is stated on the Summary Page, then the Territory is determined in accordance with Section 6.1.

**“Transfer”** means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

## ARTICLE 2. GRANT OF LICENSE

**2.1 Grant.** Franny’s Franchising grants to Franchisee the right to operate a Franny’s Farmacy business solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a Franny’s Farmacy business at the Location for the entire term of this Agreement.

**2.2 Territory.** Franny’s Franchising shall not establish, nor license the establishment of, another business within the Territory selling the same or similar goods or services under the same or similar trademarks or service marks as a Franny’s Farmacy business. Franny’s Franchising retains the right to:

- (i) establish and license others to establish and operate Franny’s Farmacy businesses outside the Territory, notwithstanding their proximity to the Territory or their impact on the Business;
- (ii) operate and license others to operate businesses anywhere that do not operate under the Franny’s Farmacy brand name; and
- (iii) sell and license others to sell products and services in the Territory through channels of distribution (including the internet) other than Franny’s Farmacy outlets.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner’s interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify Franny’s Franchising within 10 days.

**2.4 Principal Executive.** Franchisee agrees that the person designated as the “Principal Executive” on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to Franny’s

Franchising's reasonable approval.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to Franny's Franchising, in the form of Attachment 3.

**2.6 No Conflict.** Franchisee represents to Franny's Franchising that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

## ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for 10 years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreements for additional periods of 5 years each, subject to the following conditions prior to each expiration:

- (i) Franchisee notifies Franny's Franchising of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Franny's Franchising (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to make (within a period of time acceptable to Franny's Franchising) renovations and changes to the Business as Franny's Franchising requires (including a Remodel, if applicable) to conform to the then-current System Standards;
- (iv) Franchisee and its Owners execute Franny's Franchising's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section; and
- (v) Franchisee and each Owner executes a general release (on Franny's Franchising's then-standard form) of any and all claims against Franny's Franchising, its affiliates, and their respective owners, officers, directors, agents and employees.

## ARTICLE 4. FEES

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has

required 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.

**4.2 Royalty Fee.** Franchisee shall pay Franny's Franchising a monthly royalty fee (the "Royalty Fee") equal to \$500 per month during your first six (6) months of operations; beginning your seventh (7<sup>th</sup>) month of operations, your monthly royalty fee shall be the greater of (i) 6% of Gross Sales or (ii) \$500 per month. The Royalty Fee for any given month is due on the 5<sup>th</sup> calendar day of each month.

**4.3 Build-Out Fees.** Franchisee shall pay Franny's Franchising three (3) separate fees for three (3) separate Phases of a Build-Out Plan provided by Franny's Franchising. The various fees for these build-out stages are as follows:

- A. Phase 1: \$25,000 to \$30,000 is due at the same time the initial franchise fee is paid. This phase provides your location with hemp wood materials and also covers the initial portion of your Project Management fee.
- B. Phase 2: \$50,000 to \$80,000 is due approximately 6-8 weeks after the Phase 1 fee is paid. This due date is dependent on the arrival of the hemp wood materials required from Phase 1. Phase 2 payment provides your location with signage, lighting and furniture, and POS set up, and also covers the remaining portion of the Project Management fee.
- C. Phase 3: \$30,000 to \$50,000 is due by the franchise business opening date. Initial inventory is also billed at this time, and it is billed from our affiliate Franny's Operations, Inc. The Phase 3 fee includes training fees, website marketing, the training instructor travel reimbursement for franchise business openings, and any additional small items for store décor.

**4.4 Marketing Contributions.**

(a) Marketing Fund Contribution. Franchisee shall pay Franny's Franchising a contribution to the Marketing Fund (the "Marketing Fund Contribution") equal to 1% of Franchisee's Gross Sales (or such lesser amount as Franny's Franchising determines), at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative.

**4.5 Replacement / Additional Training Fee.** If Franchisee sends an employee to Franny's Franchising's training program after opening, Franny's Franchising may charge its then-current training fee. As of the date of this Agreement, the training fee is \$500 per person.

**4.6 Non-Compliance Fee.** Franny's Franchising may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-

payment of a fee owed to Franny's Franchising) which Franchisee fails to cure after 30 days' notice. Thereafter, Franny's Franchising may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Franny's Franchising's internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of Franny's Franchising's other rights and remedies (including default and termination under Section 14.2).

**4.7 Reimbursement.** Franny's Franchising may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party. If Franny's Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to Franny's Franchising within 15 days after invoice by Franny's Franchising accompanied by reasonable documentation.

#### **4.8 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to Franny's Franchising by pre-authorized bank draft (ACH Authorization form is attached as Attachment 4) or in such other manner as Franny's Franchising may require. Franchisee shall comply with Franny's Franchising's payment instructions.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to Franny's Franchising by the 5<sup>th</sup> day of the following month. If Franchisee fails to report monthly Gross Sales, then Franny's Franchising may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to Franny's Franchising, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Franny's Franchising has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. Franny's Franchising may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by Franny's Franchising (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. Franny's Franchising may apply any payment received from Franchisee to any obligation and in any order as Franny's Franchising may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to Franny's Franchising any fees or amounts described in this Agreement are not dependent on

Franny's Franchising's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

## ARTICLE 5. ASSISTANCE

**5.1 Manual.** Franny's Franchising shall make its Manual available to Franchisee.

**5.2 Assistance in Hiring Employees.** Franny's Franchising shall provide its suggested staffing levels to Franchisee. Franny's Franchising shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

**5.3 Assistance in Training Employees.** Franny's Franchising shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

### 5.4 Pre-Opening Assistance.

(a) Selecting Location. Franny's Franchising shall provide its criteria for Franny's Farmacy locations to Franchisee. Franny's Franchising will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Pre-Opening Plans, Specifications, and Vendors. Within a reasonable period of time after the Effective Date, Franny's Franchising shall provide Franchisee with (i) Franny's Franchising's sample set of standard building plans and specifications and/or standard recommended floor plans; (ii) the applicable System Standards, (iii) other specifications as Franny's Franchising deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (iv) Franny's Franchising's lists of Approved Vendors and/or Required Vendors.

(c) Business Plan Review. If requested by Franchisee, Franny's Franchising shall review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that Franny's Franchising accepts no responsibility for the performance of the Business.**

(d) Pre-Opening Training. Franny's Franchising shall make available its standard pre-opening training to the Principal Executive and up to 6 other employees, at Franny's Franchising's headquarters and/or at a Franny's Farmacy business designated by Franny's Franchising. Franny's Franchising shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. Franny's Franchising reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(e) Market Introduction Plan. Franny's Franchising shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

(f) On-Site Opening Assistance. Franny's Franchising shall attempt to have a representative support Franchisee's business opening with at least 2 days of onsite opening training and assistance.

### 5.5 Post-Opening Assistance.

(a) Advice, Consulting, and Support. If Franchisee requests, Franny's Franchising will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent Franny's Franchising deems reasonable. If Franny's Franchising provides in-person support in response to Franchisee's request, Franny's Franchising may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, Franny's Franchising will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. Franny's Franchising will provide Franchisee with Franny's Franchising's recommended administrative, bookkeeping, accounting, and inventory control procedures. Franny's Franchising may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. Franny's Franchising shall manage the Marketing Fund.

(e) Internet. Franny's Franchising shall maintain a website for Franny's Farmacy, which will include Franchisee's location (or territory) and telephone number.

## ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

**6.1 Determining Location and Territory.** If the Location and Territory are not stated on the Summary Page:

(i) Franchisee shall find a potential Location within the Development Area described on the Summary Page. Franchisee shall submit its proposed Location to Franny's Franchising for acceptance, with all related information Franny's Franchising may request. If Franny's Franchising does not accept the proposed Location in writing within 30 days, then it is deemed rejected.

(ii) When Franny's Franchising accepts the Location, it shall issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Territory. Franny's Franchising shall determine the Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document.

(iii) Franny's Franchising's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and Franny's Franchising has no liability to Franchisee with respect to the location of the Business.

**6.2 Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by Franny's Franchising, Franchisee must submit the proposed lease to Franny's Franchising for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by Franny's Franchising.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in

conformity with Franny's Franchising's System Standards. If required by Franny's Franchising, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining Franny's Franchising's approval of Franchisee's plans. Franny's Franchising may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by Franny's Franchising or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and Franny's Franchising assumes no liability with respect thereto. Franny's Franchising's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.

**6.4 New Franchisee Training.** Franchisee's Principal Executive must complete Franny's Franchising's training program for new franchisees to Franny's Franchising's satisfaction at least four weeks before opening the Business. All employees must complete training also.

**6.5 Conditions to Opening.** Franchisee shall notify Franny's Franchising at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must receive approval to open by a representative of Franny's Franchising and satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Franny's Franchising has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of Franny's Franchising's required pre-opening training; and (7) Franny's Franchising has given its written approval to open, which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page.

## **6.7 Non-Traditional Locations.**

(i) Franchisee understands, acknowledges and agrees that Franny's Franchising and its affiliates alone have the right, both within and outside of the Territory, to own and operate or grant franchises to others to own and operate businesses under the same or different trademarks in transportation facilities, including airports and train stations; military bases and government offices and facilities; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals and health care facilities; fitness businesses; malls; schools and universities; or any similar captive market or any other location to which access to the general public is restricted (a "Non-Traditional Location")

(ii) Franchisee understands and acknowledges that if any Non-Traditional Location is located within the physical boundaries of Franchisee's Territory, then the premises of such Non-Traditional Location will not be included within the Territory; however, Franchisee shall be given a first right of refusal to such Non-Traditional Location. In order to exercise Franchisee's first right of refusal to such Non-Traditional Location, Franchisee must notify Franny's Franchising of its intent to exercise its first right of refusal by executing Franny's Franchising's then-current franchise agreement and paying the then-current franchise fee, within fourteen (14) calendar days

from receipt of Franny's Franchising's written notice that a third party intends to purchase such Non-Traditional Location. If Franchisee indicates in writing that it does not want to exercise its first right of refusal or fails to execute the then-current franchise agreement and pay the then-current franchise fee within fourteen (14) calendar days from receipt of Franny's Franchising's written notice that a third party intends to purchase such Non-Traditional Location, then Franchisee shall be deemed to have forfeited its right to such Non-Traditional Location and Franny's Franchising shall have the right to sell such Non-Traditional Location to a third party.

(iii) Notwithstanding the foregoing, Franchisee hereby understands, acknowledges and agrees that in the event Franny's Franchising permits Franchisee to operate a location at a Non-Traditional Location, which Franny's Franchising is under no obligation to do, Franchisee will not receive any territory.

## ARTICLE 7. OPERATIONS

**7.1 Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards.

**7.2 Compliance with Law.** Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

**7.3 Products, Services, and Methods of Sale.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by Franny's Franchising in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by Franny's Franchising, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that Franny's Franchising may require. Franny's Franchising agrees to remit to Franchisee ten percent (10%) of Net Sales for all Franny's Farmacy internet based sales that originate from Franchisee's customer list. Franchisee's customer lists are generated from Frannysfarmacy.com website, and comprise customers assigned to the Franchisee Location. Franny's Franchising shall pay these sums to Franchisee each month for the previous month's sales.

**7.4 Prices.** Franny's Franchising may require Franchisee to offer products and services at specific prices determined by Franny's Franchising if Franny's Franchising is promoting such products and services on a national, regional, or local market basis, for the duration of the promotion (but only to the extent permitted by applicable law).

### 7.5 Personnel.

(a) **Management.** The Business must at all times be under the on-site supervision of the Principal Executive or a general manager who has completed Franny's Franchising's training program. FFI reserves the right to provide written evaluations of employees

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(d) Qualifications. Franny's Franchising may set minimum qualifications for categories of employees employed by Franchisee.

(e) Sole Responsibility. Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and Franny's Franchising are not joint employers, and no employee of Franchisee will be an agent or employee of Franny's Franchising. Within seven days of Franny's Franchising's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not Franny's Franchising) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

**7.6 Post-Opening Training.** Franny's Franchising may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by Franny's Franchising. Franny's Franchising may charge a reasonable fee for any training programs. Franny's Franchising may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

**7.7 Software.** Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by Franny's Franchising. Franchisee shall enter into any subscription and support agreements that Franny's Franchising may require. Franchisee shall upgrade, update, or replace any software from time to time as Franny's Franchising may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give Franny's Franchising unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by Franny's Franchising.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. Franny's Franchising may take any action it deems appropriate to resolve a customer complaint regarding the Business, and Franny's Franchising may require Franchisee to reimburse Franny's Franchising for any expenses.

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by Franny's Franchising for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. Franny's Franchising shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any

minimum score requirements set by Franny's Franchising for such programs.

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by Franny's Franchising (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Franny's Franchising. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

**7.11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by Franny's Franchising, in the manner specified by Franny's Franchising in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Franny's Farmacy business. Franchisee shall comply with all procedures and specifications of Franny's Franchising related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

**7.12 Maintenance and Repair.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as Franny's Franchising may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

**7.13 Remodeling.** In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, Franny's Franchising may require Franchisee to undertake and complete a Remodel of the Location to Franny's Franchising's satisfaction. Franchisee must complete the Remodel in the time frame specified by Franny's Franchising. Franny's Franchising may require the Franchisee to submit plans for Franny's Franchising's reasonable approval prior to commencing a required Remodel. Franny's Franchising's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

**7.14 Meetings.** The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that Franny's Franchising requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.

## **7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by Franny's Franchising in the Manual. If not specified in the Manual, Franchisee shall

maintain at least the following insurance coverage:

- (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);
- (ii) Business interruption insurance covering at least 12 months of income;
- (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000; and
- (v) Workers Compensation coverage as required by state law.

(b) Franchisee’s policies (other than Workers Compensation) must (1) list Franny’s Franchising and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of Franny’s Franchising and its affiliates, (3) be primary and non-contributing with any insurance carried by Franny’s Franchising or its affiliates, and (4) stipulate that Franny’s Franchising shall receive 30 days’ prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to Franny’s Franchising prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of Franny’s Franchising.

**7.16 Suppliers and Landlord.** Franchisee shall pay all vendors and suppliers in a timely manner. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Franny’s Farmacy, the Business, or any particular incident or occurrence related to the Business, without Franny’s Franchising’s prior written approval, which will not be unreasonably withheld.

**7.18 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without Franny’s Franchising’s prior written approval, which will not be unreasonably withheld.

**7.19 No Other Activity Associated with the Business.** Franchisee shall not engage in any business or other activity at the Location other than operation of the Franny’s Farmacy Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except Franny’s Farmacy businesses.

**7.20 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Franny’s Franchising, which will not be unreasonably withheld.

**7.21 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Franny's Franchising. Franchisee must display at the Business signage prescribed by Franny's Franchising identifying the Location as an independently owned franchise.

**7.22 Business Practices.** Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from Franny's Franchising. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

## ARTICLE 8. SUPPLIERS AND VENDORS

**8.1 Generally.** Franchisee shall acquire all Inputs required by Franny's Franchising from time to time in accordance with System Standards. Franny's Franchising may require Franchisee to purchase or lease any Inputs from Franny's Franchising, Franny's Franchising's designee, Required Vendors, Approved Vendors, and/or under Franny's Franchising's specifications. Franny's Franchising may change any such requirement or change the status of any vendor. To make such requirement or change effective, Franny's Franchising shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If Franny's Franchising requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franny's Franchising. Franny's Franchising may condition its approval on such criteria as Franny's Franchising deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Franny's Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If Franny's Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franny's Franchising. Franny's Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 Purchasing.** Franny's Franchising may negotiate prices and terms with vendors on behalf of the System. Franny's Franchising may receive rebates, payments or other consideration from vendors in connection with purchases by franchisees. Franny's Franchising has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor, and impose a reasonable markup or charge for administering the payment program. Franny's Franchising may implement a centralized purchasing system. Franny's Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Franny's Franchising may determine.

**8.5 No Liability of Franchisor.** Franny's Franchising shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of

products or services.

**8.6 Product Recalls.** If Franny's Franchising or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from Franny's Franchising or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

## ARTICLE 9. MARKETING

**9.1 Approval and Implementation.** Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by Franny's Franchising. Franny's Franchising may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, include any social media policy that Franny's Franchising may require. Franchisee shall implement any marketing plans or campaigns determined by Franny's Franchising.

**9.2 Use by Franny's Franchising.** Franny's Franchising may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to Franny's Franchising for such purpose.

**9.3 Marketing Fund.** Franny's Franchising has established a Marketing Fund to promote the System on a local, regional, national, and/or international level:

(a) Separate Account. Franny's Franchising shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Franny's Franchising's other accounts.

(b) Use. Franny's Franchising shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as Franny's Franchising reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of Franny's Franchising's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Marketing Fund will be spent at Franny's Franchising's sole discretion, and Franny's Franchising has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. Franny's Franchising is not obligated to (i) have all other Franny's Farmacy businesses (whether owned by other franchisees or by Franny's Franchising or its affiliates) contribute to the Marketing Fund, or (ii) have other Franny's Farmacy businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. Franny's Franchising may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, Franny's Franchising may loan such funds to the Marketing Fund on reasonable terms.

(f) Financial Statement. Franny's Franchising will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of Franny's Franchising's fiscal year and will provide the financial statement to Franchisee upon request.

**9.4 Marketing Cooperatives.** Franny's Franchising may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. Franny's Franchising shall not require Franchisee to be a member of more than one Market Cooperative. If Franny's Franchising establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by Franny's Franchising. Franny's Franchising may require the Market Cooperative to adopt bylaws or regulations prepared by Franny's Franchising. Unless otherwise specified by Franny's Franchising, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Franny's Franchising will be entitled to attend and participate in any meeting of a Market Cooperative. Any Franny's Farmacy business owned by Franny's Franchising in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, Franny's Franchising may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to Franny's Franchising's approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Franny's Franchising pursuant to Section 9.1. Franny's Franchising may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% and not more than 5% of Gross Sales.

(e) Enforcement. Only Franny's Franchising will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. Franny's Franchising may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

**9.5 Required Spending.** Franchisee shall spend at least 2% of Gross Sales each month on marketing the Business. Upon request of Franny's Franchising, Franchisee shall furnish proof of its compliance with this Section. Franny's Franchising has the sole discretion to determine what activities constitute "marketing" under this Section. Franny's Franchising may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

**9.6 Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain Franny's Franchising's approval of the market introduction plan at least 30 days before the projected opening date of the Business. You will be required to participate in our Initial Launch Campaign with Sinclair Broadcast Group throughout the first 90 days after you open. Cost is estimated to be between \$3,000 and \$5,000 per month in connection with your Initial Launch Campaign.

## ARTICLE 10. RECORDS AND REPORTS

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Franny's Franchising may specify in the Manual or otherwise in writing.

### 10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as Franny's Franchising may require in the Manual or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of Franny's Franchising's fiscal year; and
- (iii) any information Franny's Franchising requests in order to prepare a financial performance representation for Franny's Franchising's franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify Franny's Franchising of any Action or threatened Action by any customer, governmental authority, or other

third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as Franny's Franchising may request.

(c) **Government Inspections.** Franchisee shall give Franny's Franchising copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) **Other Information.** Franchisee shall submit to Franny's Franchising such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that Franny's Franchising may reasonably request.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to Franny's Franchising a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of Franny's Franchising's Franchise Disclosure Document and with such other information as Franny's Franchising may request.

**10.4 Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as Franny's Franchising may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** Franny's Franchising may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. Franny's Franchising may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by Franny's Franchising. Franchisee shall also reimburse Franny's Franchising for all costs and expenses of the examination or audit if (i) Franny's Franchising conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

## ARTICLE 11. FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by Franny's Franchising. Franny's Franchising may supplement, revise, or modify the Manual, and Franny's Franchising may change, add or delete System Standards at any time in its discretion. Franny's Franchising may inform Franchisee thereof by any method that Franny's Franchising deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, Franny's Franchising's master copy will control.

**11.2 Inspections.** Franny's Franchising may enter the premises of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with

Franny's Franchising's inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. Franny's Franchising may videotape and/or take photographs of the inspection and the Business. Franny's Franchising may set a minimum score requirement for inspections, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting Franny's Franchising's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If Franny's Franchising conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then Franny's Franchising may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 Franny's Franchising's Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, Franny's Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse Franny's Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.4 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, Franny's Franchising may (i) require that Franchisee pay cash on delivery for products or services supplied by Franny's Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by Franny's Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of Franny's Franchising are in addition to any other right or remedy available to Franny's Franchising.

**11.5 Business Data.** All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by Franny's Franchising. Franny's Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.6 Innovations.** Franchisee shall disclose to Franny's Franchising all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. Franny's Franchising will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by Franny's Franchising to document Franny's Franchising's ownership of Innovations.

**11.7 Communication Systems.** If Franny's Franchising provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes Franny's Franchising to access such communications. Slack and Gmail will be primary modes of communication regarding company business.

**11.8 Delegation.** Franny's Franchising may delegate any duty or obligation of Franny's Franchising under this Agreement to an affiliate or to a third party.

**11.9 System Variations.** Franny's Franchising may vary or waive any System Standard for any one or more Franny's Farmacy franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.10 Temporary Public Safety Closure.** If Franny's Franchising discovers or becomes aware of any aspect of the Business which, in Franny's Franchising's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon Franny's Franchising's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. Franny's Franchising shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by Franny's Franchising, and only in the manner as Franny's Franchising may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of Franny's Franchising.

**12.2 Change of Marks.** Franny's Franchising may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after Franny's Franchising makes any such change, Franchisee must comply with the change, at Franchisee's expense.

### 12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) Franny's Franchising shall defend Franchisee (at Franny's Franchising's expense) against any Action by a third-party alleging infringement by Franchisee's use of a Mark, and (ii) Franny's Franchising will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify Franny's Franchising if Franchisee becomes aware of any possible infringement of a Mark by a third party. Franny's Franchising may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. Franny's Franchising shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the word[s] "Franny's Farmacy" or any confusingly similar words in its legal name.

## ARTICLE 13. COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by Franny's Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by Franny's Franchising, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by Franny's Franchising (except for Confidential Information which Franny's Franchising licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

### **13.2 Covenants Not to Compete.**

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor within five miles of Franchisee's Territory or the territory of any other Franny's Farmacy business operating on the date of termination or transfer, as applicable.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Franny's Franchising. Franchisee agrees that the existence of any claim it may have against Franny's Franchising shall not constitute a defense to the enforcement by Franny's Franchising of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 General Manager and Key Employees.** If requested by Franny's Franchising, Franchisee will cause its general manager and other key employees to sign Franny's Franchising's then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

## **ARTICLE 14.           DEFAULT AND TERMINATION**

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if Franny's Franchising violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after Franny's Franchising receives written notice of termination.

### **14.2 Termination by Franny's Franchising.**

(a) Subject to 10-Day Cure Period. Franny's Franchising may terminate this Agreement if Franchisee does not make any payment to Franny's Franchising when due, or if Franchisee does not have sufficient funds in its account when Franny's Franchising attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Franny's Franchising gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to Franny's Franchising's satisfaction within 30 days after Franny's Franchising gives notice to Franchisee of such breach, then Franny's Franchising may terminate this Agreement.

(c) Without Cure Period. Franny's Franchising may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to Franny's Franchising;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee loses possession of the Location;
- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;
- (viii) Franchisee or any Owner slanders or libels Franny's Franchising or any of its employees, directors, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by Franny's Franchising or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (x) the Business is operated in a manner which, in Franny's Franchising's reasonable

judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from Franny's Franchising or otherwise);

- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) Franny's Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of a Multi-Unit Development Agreement with Franchisee or its affiliate shall not give Franny's Franchising the right to terminate this Agreement); or
- (xiii) Franchisee or any Owner is accused by any governmental authority or third party of any act that in Franny's Franchising's opinion is reasonably likely to materially and unfavorably affect the Franny's Farmacy brand, or is charged with, pleads guilty to, or is convicted of a felony.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to Franny's Franchising based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to Franny's Franchising all copies of the Manual, Confidential Information and any and all other materials provided by Franny's Franchising to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to Franny's Franchising or any new franchisee as may be directed by Franny's Franchising, and Franchisee hereby irrevocably appoints Franny's Franchising, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Franny's Farmacy business, to the reasonable satisfaction of Franny's Franchising. Franchisee shall comply with any reasonable instructions and procedures of Franny's Franchising for de-identification. If Franchisee fails to do so within 30 days after this Agreement

expires or is terminated, Franny's Franchising may enter the Location to remove the Marks and de-identify the Location. In this event, Franny's Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Franny's Franchising.

**14.5 Liquidated Damages.** If Franny's Franchising terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to Franny's Franchising a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franny's Franchising under this Agreement for the 52-week period preceding the effective date of termination; multiplied by (y) the lesser of (1) 104 or (2) the number of weeks remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 52 weeks, then (x) will equal the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franny's Franchising during the period that Franchisee operated the Business. Franchisee acknowledges that a precise calculation of the full extent of Franny's Franchising's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to Franny's Franchising under this Section will be in lieu of any direct monetary damages that Franny's Franchising may incur as a result of Franny's Franchising's loss of Royalty Fees and Marketing Fund Contributions that would have been owed to Franny's Franchising after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, Franny's Franchising's right to injunctive relief for enforcement of Article 13, and any attorneys' fees and other costs and expenses to which Franny's Franchising is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that Franny's Franchising may have under this Agreement or otherwise.

**14.6 Purchase Option.** When this Agreement expires or is terminated, Franny's Franchising will have the right (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to Franny's Franchising. To exercise this option, Franny's Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that Franny's Franchising elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. Franny's Franchising's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. Franny's Franchising may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by Franny's Franchising. If Franny's Franchising exercises the purchase option, Franny's Franchising may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by Franny's Franchising to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are

subject to a lien, Franny's Franchising may pay a portion of the purchase price directly to the lienholder to pay off such lien. Franny's Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. Franny's Franchising may assign this purchase option to another party.

## ARTICLE 15. TRANSFERS

**15.1 By Franny's Franchising.** Franny's Franchising may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and Franny's Franchising may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franny's Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Franny's Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining Franny's Franchising's consent. In granting any such consent, Franny's Franchising may impose conditions, including, without limitation, the following:

- (i) Franny's Franchising receives a transfer fee equal to \$10,000 plus any broker fees and other out-of-pocket costs incurred by Franny's Franchising;
- (ii) the proposed assignee and its owners have completed Franny's Franchising's franchise application processes, meet Franny's Franchising's then-applicable standards for new franchisees, and have been approved by Franny's Franchising as franchisees;
- (iii) the proposed assignee is not a Competitor;
- (iv) the proposed assignee executes Franny's Franchising's then-current form of franchise agreement and any related documents; which form may contain materially different provisions than this Agreement;
- (v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to Franny's Franchising and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to Franny's Franchising or its affiliates;
- (vii) the proposed assignee and its owners and employees undergo such training as Franny's Franchising may require;
- (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of Franny's Franchising in a form satisfactory to Franny's Franchising; and
- (ix) the Business fully complies with all of Franny's Franchising's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to Franny's Franchising, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by Franny's Franchising, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Franny's Franchising (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 Franny's Franchising's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), Franny's Franchising will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to Franny's Franchising a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of Franny's Franchising's receipt of such copy, Franny's Franchising will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that Franny's Franchising may substitute cash for any other form of payment). If Franny's Franchising does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## ARTICLE 16. INDEMNITY

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to Franny's Franchising) Franny's Franchising, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against Franny's Franchising and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions arising as a result of any Indemnitee's intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this

indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## ARTICLE 17. DISPUTE RESOLUTION

### 17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where Franny's Franchising's headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Franny's Franchising to comply with laws and regulations applicable to the sale of franchises.

(e) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, Franny's Franchising and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where Franny's Franchising's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the

court of record of the state and county where Franny's Franchising's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

## ARTICLE 18. MISCELLANEOUS

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. Franny's Franchising is not a fiduciary of Franchisee. Franny's Franchising does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect Franny's Franchising's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. Franny's Franchising has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third-Party Beneficiaries.** This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Franny's Franchising, and Franny's Franchising's affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by Franny's Franchising in its franchise disclosure document.

**18.4 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit Franny's Franchising's rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of North Carolina (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any North Carolina law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to Franny's Franchising, addressed to 231 Biltmore Ave., Asheville, NC 28801. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, Franny's Franchising may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

**18.10 Holdover.** If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any course of dealing by the parties), Franny's Franchising may by giving written notice to Franchisee (the "Holdover Notice") either (i) require Franchisee to cease operating the Business and comply with all post-closing obligations effective immediately upon giving notice or effective on such other date as Franny's Franchising specifies, or (ii) bind Franchisee to a renewal term of 5 years and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).

**18.11 Joint and Several Liability.** If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.

**18.12 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by Franny's Franchising does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and Franny's Franchising.

## ARTICLE 19. CERTIFICATION OF FRANCHISOR'S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands that this Agreement contains the entire agreement between Franny's Franchising and Franchisee concerning the Franny's Farmacy franchise, which means that any oral or written statements not set out in this Agreement will not be binding.

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

*[Signatures on next page]*

Agreed to by:

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

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

*[if an entity:]*

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

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

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

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

**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a (check one):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*Sole Proprietorship*  
*Partnership*  
*Limited Liability Company*  
*Corporation*

State and Date of Formation: \_\_\_\_\_

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

<b>Name</b>	<b>Shares or Percentage of Ownership</b>

3. **Officers.** If Franchisee is a limited liability company or corporation:

<b>Name</b>	<b>Title</b>

**Attachment 2 to Franchise Agreement**

**LOCATION ACCEPTANCE LETTER**

To: \_\_\_\_\_

This Location Acceptance Letter is issued by Franny's Franchising, Inc. for your Franny's Farmacy franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

\_\_\_\_\_

2. The Territory of the Business is:

\_\_\_\_\_

FRANNY'S FRANCHISING, INC.

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

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

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

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

### **Attachment 3 to Franchise Agreement**

### **GUARANTY AND NON-COMPETE AGREEMENT**

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”).

**Background Statement:** \_\_\_\_\_ (“Franchisee”) desires to enter into a Franchise Agreement with Franny’s Franchising for the franchise of a Franny’s Farmacy business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce Franny’s Franchising to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to Franny’s Franchising and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to Franny’s Franchising, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and Franny’s Franchising upon demand from Franny’s Franchising. Guarantor waives (a) acceptance and notice of acceptance by Franny’s Franchising of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that Franny’s Franchising make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by Franny’s Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franny’s Franchising, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by

Franny's Franchising or its affiliates (except for Confidential Information which Franny's Franchising licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to Franny's Franchising. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

### **3. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor located within five miles of Franchisee's Territory or the territory of any other Franny's Farmacy business operating on the date of termination or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Franny's Franchising. Guarantor agrees that the existence of any claim it or Franchisee may have against Franny's Franchising shall not constitute a defense to the enforcement by Franny's Franchising of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**4. Modification.** Guarantor agrees that Guarantor's liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which Franny's Franchising may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of North Carolina (without giving effect to its principles of conflicts of law). The parties agree that any North Carolina law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to Franny's Franchising all costs incurred by Franny's Franchising (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

---

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

Address: \_\_\_\_\_

---

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

---

---

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

Address: \_\_\_\_\_

---

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

---

---

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

Address: \_\_\_\_\_

---

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

---

## **Attachment 4 to Franchise Agreement**

### **ACH AUTHORIZATION**

### **CREDIT CARD / ACH PAYMENT AUTHORIZATION**

Check One (1) and Enter Your Details

---

- **Recurring Charge** - You authorize regularly scheduled charges to your credit card or bank account. You will be charged the amount indicated below each billing period. A receipt for each payment will be provided to you and the charge will appear on your credit card or bank statement. You agree that no prior notification will be provided unless the date or amount changes, in which case you will receive notice from us at least 10 days prior to the payment being collected.

I, \_\_\_\_\_, authorize \_\_\_\_\_ to charge my  
(Full Name) (Merchant's Name)

Credit Card or Bank Account below for \$\_\_\_\_\_ on the \_\_\_\_\_  
(Amount \$) (day)  
of each \_\_\_\_\_.  
(week, month, etc.)

This payment is for \_\_\_\_\_.  
(Description of Goods/Services)

---

- **One (1) Time Charge** – Sign and complete this form to authorize the merchant below to make a one-time charge to your credit card or bank account listed below.

By signing this form, you give us permission to debit your account for the amount indicated on or after the indicated date. This is permission for a single transaction only, and does not provide authorization for any additional unrelated debits or credits to your account.

I, \_\_\_\_\_, authorize \_\_\_\_\_ to charge my  
(Full Name) (Merchant's Name)

credit card or bank account indicated below for \$\_\_\_\_\_ on \_\_\_\_\_.  
(Amount \$) (Date)

This payment is for \_\_\_\_\_.  
(Description of Goods/Services)

---

## Billing Information

Billing Address \_\_\_\_\_ Phone # \_\_\_\_\_

City, State, Zip \_\_\_\_\_ Email \_\_\_\_\_

### Bank (ACH)

<input type="checkbox"/> Checking	<input type="checkbox"/> Savings
Name on Acct _____	
Bank Name _____	
Account Number _____	
Routing Number _____	
	

### Credit Card

<input type="checkbox"/> Visa	<input type="checkbox"/> MasterCard
<input type="checkbox"/> Amex	<input type="checkbox"/> Discover
Cardholder Name _____	
Account Number _____	
Exp. Date _____ / _____	
CVV _____	

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify the merchant in writing of any changes in my account information or termination of this authorization at least 15 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. For ACH debits to my checking/savings account, I understand that because these are electronic transactions, these funds may be withdrawn from my account as soon as the above noted periodic transaction dates. In the case of an ACH Transaction being rejected for Non-Sufficient Funds (NSF) I understand that the merchant may at its discretion attempt to process the charge again within 30 days, and agree to an additional \$\_\_\_\_\_ charge for each attempt returned NSF which will be initiated as a separate transaction from the authorized recurring payment. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S. law. I certify that I am an authorized user of this credit card/bank account and will not dispute these scheduled transactions with my bank or credit card company; so long as the transactions correspond to the terms indicated in this authorization form.

**AUTHORIZED SIGNATURE** \_\_\_\_\_ **DATE** \_\_\_\_\_

**PRINT NAME** \_\_\_\_\_

## EXHIBIT C

### MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement (this “MUDA”) is made between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) on the Effective Date.

**Background Statement:** On the same day as they execute this MUDA, Franny’s Franchising and Franchisee have entered into a Franchise Agreement for the franchise of a Franny’s Farmacy business (the “Franchise Agreement”; capitalized terms used but not defined in this MUDA have the meanings given in the Franchise Agreement). Franny’s Franchising and Franchisee desire that Franchisee develop multiple Franny’s Farmacy businesses.

#### 1. Multi-Unit Commitment.

(a) Development Schedule; Fee. Franchisee shall develop and open Franny’s Farmacy businesses on the following schedule:

Store #	Deadline for Opening	Total # of Stores to be Open and Operating on Deadline	Initial Franchise Fee
1		1	\$ _____
2		2	\$ _____
3		3	\$ _____
4		4	\$ _____
5		5	\$ _____
Total Initial Franchise Fee:			

(b) Payment. Upon execution of this MUDA, Franchisee shall pay the total Initial Franchise Fee to Franny’s Franchising. The Initial Franchise Fee is non-refundable.

2. **Form of Agreement.** For Store #1, Franchisee and Franny’s Franchising have executed the Franchise Agreement simultaneously with this MUDA. For each additional Franny’s Farmacy franchise, Franchisee shall execute Franny’s Franchising’s then-current standard form of franchise agreement no later than three business days after Franchisee leases or acquires a location. This MUDA does not give Franchisee the right to construct, open, or operate a Franny’s Farmacy business, and Franchisee acknowledges that Franchisee may construct, open, and operate each Franny’s Farmacy business only pursuant to a separate franchise agreement executed pursuant to this MUDA for each such Franny’s Farmacy business.

**3. Development Area.** Franchisee shall locate each Franny's Farmacy business it develops under this MUDA within the following area: \_\_\_\_\_ (the “Development Area”). Franchisee acknowledges that it does not have exclusive rights to develop, open or operate Franny's Farmacy businesses in the Development Area.

**4. Default and Termination.** Franny's Franchising may terminate this MUDA by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee fails to satisfy the development schedule; or
- (ii) Franny's Franchising has the right to terminate any franchise agreement between Franny's Franchising and Franchisee (or any affiliate thereof) due to Franchisee's default thereunder (whether or not Franny's Franchising actually terminates such franchise agreement).

**5. Limitation of Liability.** Franchisee's commitment to develop Franny's Farmacy businesses is in the nature of an option only. If Franny's Franchising terminates this MUDA for Franchisee's default, Franchisee shall not be liable to Franny's Franchising for lost future revenues or profits from the unopened Franny's Farmacy businesses. Franchisee may terminate this MUDA at any time.

**6. Conditions.** Franchisee's right to develop each Franny's Farmacy franchise after the Store #1 is subject to the following:

- (i) Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Franny's Farmacy business, in the reasonable judgment of Franny's Franchising, and
- (ii) Franchisee must be in full compliance with all brand requirements at its open Franny's Farmacy businesses, and not in default under any Franchise Agreement or any other agreement with Franny's Franchising.

**7. Dispute Resolution; Miscellaneous.** The laws of the State of North Carolina (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any North Carolina law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 7. Franchisee shall not Transfer this MUDA without the prior written consent of Franny's Franchising, and any Transfer without Franny's Franchising's prior written consent shall be void. The provisions of Article 17 (Dispute Resolution) and Article 18 (Miscellaneous) of the Franchise Agreement apply to and are incorporated into this MUDA as if fully set forth herein.

**8. Entire Agreement.** This MUDA and all related agreements executed simultaneously with this Agreement constitute the entire understanding of the parties and supersede any and all prior oral or written agreements between Franchisee and Franny's Franchising on the matters contained in this MUDA; but nothing in this or any related agreement is intended to disclaim the representations Franny's Franchising made in the latest Franchise Disclosure Document that we furnished to you.

Agreed to by:

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISEE:

[if an individual:]

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

[if an entity:]

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D**  
**RIDER TO LEASE AGREEMENT**

Landlord: \_\_\_\_\_  
Notice Address: \_\_\_\_\_

Franchisor: Franny's Franchising, Inc.  
Notice Address: 231 Biltmore Ave.,  
Asheville, NC 28801

\_\_\_\_\_  
Telephone: \_\_\_\_\_

Telephone: 828-216-2836

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Franny's Farmacy business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default ("Default") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Franny's Farmacy brand. Any provision of the Lease which limits Tenant's right to own or operate other Franny's Farmacy outlets in proximity to the Leased Premises shall not apply to Franchisor.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

TENANT:

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT E**

**FORM OF GENERAL RELEASE**

*[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]*

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

- 1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases Franny’s Franchising, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”)) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
- 2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.
- 3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.
- 4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that Franny’s Franchising reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Agreed to by:

---

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

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

**EXHIBIT F**  
**FINANCIAL STATEMENTS**

# **FRANNY'S FRANCHISING, INC.**

FINANCIAL REPORT  
AS OF DECEMBER 31, 2022



## FRANNY'S FRANCHISING, INC.

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### **Independent Auditor's Report**

To the Shareholders  
Franny's Franchising, Inc.  
Asheville, North Carolina

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of Franny's Franchising, Inc. which comprise the balance sheets as of December 31, 2022, and 2020, and the related statements of operations, changes in shareholders' (deficit) and cash flows for the years ended December 31, 2022, 2021, and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Franny's Franchising, Inc. as of December 31, 2022, and 2021 and the results of its operations and cash flows for the years ended December 31, 2022, 2021, and 2020, in conformity 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franny's Franchising, Inc. 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 Franny's Franchising, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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

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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 Franny's Franchising, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Franny's Franchising, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Reese CPA LLC*

Ft. Collins, Colorado  
March 20, 2023

**FRANNY'S FRANCHISING, INC.**  
**BALANCE SHEETS**

	<u>AS OF DECEMBER 31,</u>	
	<u>2022</u>	<u>2021</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 67,788	\$ 86,677
Accounts receivable	29,250	11,941
Contract acquisition costs, current	7,425	2,625
<b>TOTAL CURRENT ASSETS</b>	<u>104,463</u>	<u>101,243</u>
<b>NON-CURRENT ASSETS</b>		
Property and equipment	613	766
Contract acquisition costs	57,242	22,021
<b>TOTAL ASSETS</b>	<u><u>\$ 162,318</u></u>	<u><u>\$ 124,030</u></u>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,930	\$ 1,230
Due to affiliates	119,237	99,676
Non-refundable deferred franchise fees	19,375	10,850
<b>TOTAL CURRENT LIABILITIES</b>	<u>140,542</u>	<u>111,756</u>
Deferred non-refundable franchise fees	145,557	84,616
Notes payable	19,100	19,100
<b>TOTAL LIABILITIES</b>	<u>305,199</u>	<u>215,472</u>
<b>STOCKHOLDERS' (DEFICIT)</b>		
Common stock, no par value 1,500,000 shares authorized, issued and outstanding 15,385 shares	169,500	170,308
Retained (deficit)	(312,381)	(246,750)
Due from related parties	-	(15,000)
<b>TOTAL STOCKHOLDERS' (DEFICIT)</b>	<u>(142,881)</u>	<u>(91,442)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>	<u><u>\$ 162,318</u></u>	<u><u>\$ 124,030</u></u>

The accompanying notes are an integral part of this financial statement.

**FRANNY'S FRANCHISING, INC.**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>			
Franchise sales	\$ 30,784	\$ 22,517	\$ 23,400
Recurring royalties.	<u>113,869</u>	<u>80,304</u>	<u>17,306</u>
<b>TOTAL REVENUES</b>	<b><u>144,653</u></b>	<b><u>102,821</u></b>	<b><u>40,706</u></b>
<b>OPERATING EXPENSES</b>			
Cost of sales	11,528	7,396	458
Payroll and related costs	70,722	40,116	87,265
Professional fees	43,912	40,294	19,843
Marketing costs	25,747	35,282	25,783
General and administrative	<u>57,487</u>	<u>15,691</u>	<u>13,922</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>209,396</u></b>	<b><u>138,779</u></b>	<b><u>147,271</u></b>
<b>OPERATING (LOSS)</b>	<b>(64,743)</b>	<b>(35,958)</b>	<b>(106,565)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Grant income	-	-	4,000
Interest expense	<u>(888)</u>	<u>(1,182)</u>	<u>-</u>
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b><u>(888)</u></b>	<b><u>(1,182)</u></b>	<b><u>4,000</u></b>
<b>NET (LOSS)</b>	<b><u>\$ (65,631)</u></b>	<b><u>\$ (37,140)</u></b>	<b><u>\$ (102,565)</u></b>

The accompanying notes are an integral part of these financial statements.

**FRANNY'S FRANCHISING, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	Shares Issued	Common Stock	Retained (Deficit)	Total Shareholders' (Deficit)
<b>BALANCE, MAY 28, 2019 (INCEPTION)</b>	-	\$ -	\$ -	\$ -
Sale of common stock	13,675	80,308	-	80,308
Net (loss)	-	-	(107,045)	(107,045)
<b>BALANCE, DECEMBER 31, 2019</b>	13,675	80,308	(107,045)	(26,737)
Sale of common stock	1,710	90,000	-	90,000
Net (loss)	-	-	(102,565)	(102,565)
<b>BALANCE, DECEMBER 31, 2020</b>	15,385	170,308	(209,610)	(39,302)
Net (loss)	-	-	(37,140)	(37,140)
<b>BALANCE, DECEMBER 31, 2021</b>	15,385	170,308	(246,750)	(76,442)
Equity adjustment	0	(808)	-	(152,884)
Net (loss)	-	-	(65,631)	(65,631)
<b>BALANCE, DECEMBER 31, 2022</b>	<u>15,385</u>	<u>\$ 169,500</u>	<u>\$ (312,381)</u>	<u>\$ (294,957)</u>

The accompanying notes are an integral part of these financial statements.

**FRANNY'S FRANCHISING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss)	\$ (65,631)	\$ (37,140)	\$ (102,565)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	153	500	215
Write off of affiliate receivable	15,000		
Recognition of non-refundable deferred franchise fees	(30,784)	(22,517)	(7,900)
Recognition of contract acquisition costs	6179	1,146	458
Changes in assets and liabilities			
Accounts receivable	(17,309)	(7,395)	(4,546)
Contract acquisition costs	(46,200)	(21,250)	(5,000)
Accounts payable and accrued expenses	700	1,182	-
Non-refundable deferred franchise fees	100,250	72,500	24,000
Net cash (used) by operating activities	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (37,642)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (12,974)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (95,338)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash (used) by investing activities	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> -	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> -	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> -
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shareholder contributions	(808)	-	90,000
Proceeds from notes payable	-	-	19,100
Due to related parties	19,561	84,676	(15,000)
Due from related parties	-	-	15,000
Net cash provided by financing activities	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 18,753	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 84,676	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 109,100
<b>NET INCREASE IN CASH</b>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (18,889)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 71,702	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 13,762
<b>CASH, BEGINNING</b>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 86,677	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 14,975	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 1,213
<b>CASH, ENDING</b>	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 67,788	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 86,677	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 14,975
<b>SUPPLEMENTAL DISCLOSURES</b>			
Cash paid for interest	\$ -	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

FRANNY'S FRANCHISING, INC., a North Carolina corporation (the "Company"), was formed on May 28, 2019 ("Inception"). The Company is a franchisor offering qualified persons a franchise for the establishment of a business to provide hemp and CBD products and accessories at competitive prices under the trade name "Franny's Farmacy" All activities are conducted in a protected territory.

The Company has four affiliates., Franny's Farm, Inc., a North Carolina corporation was formed on May 4, 2012, produces some of the hemp and products to be sold by the Company's franchised business locations along with agro-tourism services and event services.

Franny's Manufacturing, Inc., a North Carolina corporation formed on March 18, 2019, manufactures, and produces some of the products to be sold by the franchised business locations.

Franny's Distribution, Inc., a North Carolina corporation, was formed on October 29, 2018, and operates Franny's Farm and distributes the products produced by Franny's Farm and manufactured by Franny's Manufacturing, Inc.

Franny's Investments, Inc., a North Carolina corporation was formed on October 15, 2018, owns some operating businesses and stores that sell Franny's Farmacy products.

The trade name "Franny's Farmacy" is owned by the shareholders of the Company. The Company has entered into an Intercompany Licenses Agreement with the Company's shareholders for the exclusive right to sublicense the trade name and related trademarks to franchisees throughout the United States. The agreement is of perpetual duration.

*Summary of Franchise Activity*

Changes in the number of franchises for years ended December 31, 2022, 2021, and 2020, consist of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Units in operation, beginning	8	5	4
Units opened	3	3	1
Units terminated or closed	-	-	-
Units in operation, ending	<u>11</u>	<u>8</u>	<u>5</u>
Franchised units	9	6	3
Affiliate owned units	2	2	2

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

*COVID-19*

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

A summary of significant accounting policies follows:

*Basis of Presentation*

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

*Use of Estimates*

Preparation of the Company’s financial statement in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2022, and 2021.

*Accounts Receivable*

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customer’s receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any allowance for uncollectible accounts and did not charge-off any accounts receivable during the years ended December 31, 2022, 2021 and 2020.

*Property, Plant & Equipment*

Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally five to seven years).

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Income Taxes**

The Company has adopted the liability method of accounting for income taxes ASC 740, "Income Taxes." Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25 "Accounting for Uncertainty in Income Taxes," (formerly "FIN 48"). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company did not make any adjustment to opening retained earnings as a result of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax periods ending December 31, 2022, 2021 and 2020 for U.S. Federal Income Tax and the State of North Carolina Income Tax, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2022.

The Company has a net operating loss carryforward of approximately \$157,000 available to be applied to taxable income in periods beginning January 1, 2023.

**Revenue Recognition, Non-refundable Deferred Franchise Fees, and Franchise Acquisition Assets**

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos ("symbolic intellectual property" or "IP"). Revenues related to the designated territory and IP are continuing monthly royalty fees are 6% of gross revenues. and are billed monthly and

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

*Revenue Recognition, Non-refundable Deferred Franchise Fees, and Franchise Acquisition Assets (continued)*

is recognized as revenue when earned. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied.

Marketing fund contributions are 1% of gross revenues (or such lesser amount as determined by the Company). The marketing fund contribution is billed monthly and is recognized as revenue when earned.

Revenue from product sales will be recognized as earned when control of the products has been transferred to the franchisee in the amount of the consideration the Company expects to receive for those products.

*Advertising Costs*

The Company expenses advertising costs as incurred. Advertising costs expensed were \$25,747, \$35,282, and \$25,783 for the years ended December 31, 2022, 2021, and 2020.

*Fair Value of Financial Instruments*

For the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities.

*Recently Issued Accounting Pronouncements*

The Company has adopted all recently issued Accounting Standards Updates (ASU). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CONTRACT BALANCES**

The Company has recognized an asset for the incremental costs and recorded a liability for unearned revenue associated with franchisee acquisition and acceptance performance obligation of the Company's franchise agreement. The account balances and activity are as follows:

	December 31,	
	2022	2021
<b>Contract Acquisition Costs:</b>		
Balance beginning of year	\$ 24,646	\$ 4,542
Deferral of contract acquisition costs	46,200	21,250
Recognition of contract acquisition costs	(6,179)	(1,146)
<b>Balance at end of year</b>	<b>\$ 64,667</b>	<b>\$ 24,646</b>
<b>Deferred Non-refundable Franchise Fees:</b>		
Balance beginning of year	\$ 95,466	\$ 45,483
Deferral of non-refundable franchise fees	100,250	72,500
Recognition of non-refundable franchise fees	(30,784)	(22,517)
<b>Balance at end of year</b>	<b>\$ 164,932</b>	<b>\$ 95,466</b>

*Estimated Recognition of Non-refundable Deferred Franchise Fees and Franchise Acquisition Costs*

Estimated revenues and franchise acquisition costs to be recognized in future periods related to non-refundable deferred franchise fees as reported at December 31, 2022, is as follows:

	Contract Acquisition Costs	Non-refundable Franchise Fees
<b>Year ending December 31:</b>		
2023	\$ 7,245	\$ 19,375
2024	7,245	19,375
2025	7,245	19,375
2026	7,245	19,375
2027	7,245	19,375
Thereafter	28,442	68,057
	<b>\$ 64,667</b>	<b>\$ 164,932</b>

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CONTRACT BALANCES (CONTINUED)**

*Disaggregation of Revenues*

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the years ended December 31, 2022, 2021 and 2020, is as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Performance obligations satisfied at a point in time	\$ -	\$ 15,500	\$ 15,500
Performance obligations satisfied through the passage of time	<u>144,653</u>	<u>87,821</u>	<u>25,206</u>
Total revenues	<u><u>\$ 144,653</u></u>	<u><u>\$ 102,821</u></u>	<u><u>\$ 40,706</u></u>

**NOTE 3 – NOTES PAYABLE**

Notes payable consist of the following at December 31,

	<b>2022</b>	<b>2021</b>
Note payable with the Small Business Administration Face amount of \$19,100, payable in 360 monthly installments of \$94 including interest at the rate of 3.75%, beginning in 2023 Final payment due on May 2050. Collateralized by assets of the Company.	\$ 19,100	\$ 19,100
Less current maturities	-	-
	<u><u>\$ 19,100</u></u>	<u><u>\$ 19,100</u></u>

The maturities of the long-term debt are as follows:

Year ending December 31:	\$	-
2023	135	135
2024	424	424
2025	440	440
2026	457	457
2027		
Thereafter	<u>17,644</u>	<u>\$ 19,100</u>

**NOTE 4 – RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Company may make advances to or receive advances from the Company's related parties. Advances are not collateralized, noninterest bearing and due on demand. Advances due to related parties were \$119,237, \$99,676 as of December 31, 2022, and 2021. Advances due from related parties as of December 31, 2022, and 2021, were \$0 and \$15,000. The advances due from the related party are reported as a component of stockholders' (deficit) in the accompany balance sheets as the advances do not have stated repayment terms.

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – COVID-19 RELIEF**

During 2020 the Company received an Economic Injury Disaster Grant from the Small Business Administration in the amount of \$4,000. The amount is reported as other income in the accompanying Statement of Operations for the year ended December 31, 2020.

**NOTE 6 - INCOME TAXES**

The components of the deferred income tax asset are as follows:

	As of December 31,	
	2022	2021
Net operating loss	\$ 52,665	\$ 42,394
Revenue deferrals	(44,532)	(22,552)
Contract acquisition costs deferrals	17,460	6,654
Other	2,657	-
Depreciation and amortization	(6,898)	(6,928)
Total	21,351	19,568
Valuation allowance	(21,351)	(19,658)
	\$ -	\$ -

The following is a reconciliation of the amount of income tax expense (benefit) that would result from applying the statutory federal income tax rates to pre-tax income (loss) and the reported amount of income tax (benefit) for the year ended December 31:

	2022	2021	2020
Tax expense (benefit) at federal statutory rates	\$ (13,783)	\$ (7,799)	\$ (21,539)
Revenue deferrals	14,588	8,943	3,056
Depreciation and amortization	(390)	(321)	(377)
Contract acquisition cost deferrals	(8,404)	(4,222)	(608)
State income tax expense	(2,283)	(9,971)	(5,563)
Increase in valuation allowance	10,272	4,370	25,031
Totals	\$ -	\$ -	\$ -

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

*Litigation*

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**FRANNY'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - SUBSEQUENT EVENTS**

*Date of Management's Evaluation*

Management has evaluated subsequent events through March 20, 2023, the date on which the financial statements were available to be issued.

**EXHIBIT G**  
**OPERATING MANUAL TABLE OF CONTENTS**

*Franny's Farmacy*  
Franchise Operations Manual  
Table of Contents



<b>Section (Including Cover Pages)</b>	<b>Number of Pages</b>
Preface & Introduction	35
Establishing the Business	60
Personnel	62
Administrative Procedures	27
Daily Procedures	36
Marketing	25
<b>Total Number of Pages</b>	<b>245</b>

## EXHIBIT H

### CURRENT AND FORMER FRANCHISEES

#### Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

Name	Address	Telephone Number
Julian Hemp Group, LLC	33 Elm Street, Unit 2 West Port, CT 06880	(203) 829-3581
Classic City Health, LLC	2361 West Broad Street, Suite #10 Athens, GA 30606	(706) 224-9505
FKX, LLC	5121 Washington Rd. Suite 1 Evans, GA 30809	(706) 426-0828
Forozan Karim Bethany Village Station, LLC	13800 Highway 9 N, Unit 3031 C Alpharetta, GA 30004	(470) 514-5344
M&H Hughes Holdings, LLC	964 2 <sup>nd</sup> Street NE Hickory, NC 28601	(828) 855-2123
YFS Management, LLC	2002 S. Glenburnie Rd., Ste. 3A, New Bern, NC 28562	(252) 702-4814
Robin Mason	7128 Farm Station Rd. Warrenton, VA 20187	(540) 680-3726

Note: We did not have any multi-unit developers at the close of our last fiscal year.

Names of all current franchisees who signed a Franchise Agreement but have not yet opened as of the end of our previous fiscal year.

Name	Address	Telephone Number
Earthgrown Wellness, LLC	19411 Shriedan Street Fort Lauderdale, FL 33332	(954)774-4648

#### Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet 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 have not communicated with us within 10 weeks of the disclosure document issuance date:

Name	Address	Telephone Number

Sondra Hellund	819 Linda Lane Charlotte, NC 28211	(704) 488-6820
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**EXHIBIT I**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## **CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department Of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

**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 OFFERING CIRCULAR.**

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.cbo.ca.gov](http://www.cbo.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT risk IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

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

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

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

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

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

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

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

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

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

## **HAWAII ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Hawaii only, this Disclosure Document is amended as follows:

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

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

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

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

1. The following Risk Factors are added to the “Special Risks to Consider About *This Franchise*” page of this Disclosure Document:

YOU MUST PURCHASE ALL OR NEARLY ALL OF THE INVENTORY OR SUPPLIES THAT ARE NECESSARY TO OPERATE YOUR BUSINESS FROM THE FRANCHISOR, ITS AFFILIATES, OR SUPPLIERS THAT THE FRANCHISOR DESIGNATES, AT PRICES THAT FRANCHISOR OR THEY SET. THESE PRICES MAY BE HIGHER THAN PRICES YOU COULD OBTAIN ELSEWHERE FOR THE SAME OR SIMILAR GOODS. THIS MAY REDUCE THE ANTICIPATED PROFIT OF YOUR FRANCHISE BUSINESS.

THIS FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.

2. Illinois law governs the agreements between the parties to this franchise.
3. Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
4. Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.
5. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.
6. Item 5 of the Franchise Disclosure Document is amended to state that collection of the Initial Franchise Fee will be deferred until the Franchisor has fulfilled all of its pre-opening obligations and the Franchisee is open for business. The Illinois Attorney General’s Office imposed this deferral requirement due to the Franchisor’s financial condition.

## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

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.

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

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

**Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required 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. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.**

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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 protection 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.
- (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 sub-franchisor.
- (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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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.

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373 7117

## **MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7**

**DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

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, 28 LIBERTY ST. 21ST FLOOR, NEW YORK, NY 10005. 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:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending

action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

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 grounds for default or termination stated in the Franchise Agreement do 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.

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

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

**The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.**

## **WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

(See Exhibit J for Washington Addendum to Franchise Agreement and Related Agreements)

**EXHIBIT J**

**STATE ADDENDA TO AGREEMENTS**

## ILLINOIS RIDER TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.

**2. Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

**3. Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

**4. Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**5.** Section 4.1 of the Franchise Agreement is amended in part to state that collection of Initial Franchise Fees shall be deferred until the Franchisor has fulfilled its pre-opening obligations and the Franchisee is open for business.

**6. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY’S FRANCHISING, INC.  
\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## INDIANA RIDER TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

**2. Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase

notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## **MARYLAND RIDER TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT**

This Rider amends the Franchisee Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.
- 2. Releases, Estoppels and Waivers of Liability.** 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 Law.
- 3. Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.
- 4. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.
- 5. Financial Assurance.** Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required 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. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
- 6. Acknowledgment.** No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 7. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

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

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

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

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

## MINNESOTA RIDER TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Amendments.** The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## NEW YORK RIDER FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve Franny’s Franchising or any other person from any duty or liability imposed by New York General Business Law, Article 33.

**3. Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by Franny’s Franchising with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.

**4. Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Law shall govern any claim arising under that law.

**5. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY’S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## NORTH DAKOTA RIDER FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

---

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## **RHODE ISLAND RIDER FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT**

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.
- 3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY’S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## **VIRGINIA RIDER FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT**

This Rider amends the Franchise Agreement and Multi-Unit Development Agreement dated \_\_\_\_\_ (the “Agreement”), between Franny’s Franchising, Inc., a North Carolina corporation (“Franny’s Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. Initial Franchise Fees.** Section 4.1 of the Franchise Agreement is amended in part to state that the collection of Initial Franchise Fees shall be deferred until the Franchisor has fulfilled all its pre-opening obligations and the Franchisee is open for business.
- 3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANNY’S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**WASHINGTON ADDENDUM TO  
FRANCHISE AGREEMENT AND RELATED  
AGREEMENTS**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Agreed to by:

FRANCHISEE:

---

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

FRANNY'S FRANCHISING, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**This addendum may also be used as a rider to the Franchise Disclosure Document.**

## STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

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 Franny's Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Franny's Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Frances Tacy	231 Biltmore Ave., Asheville, NC 28801	828-216-2836

Issuance Date: April 28, 2023

I received a disclosure document dated April 28, 2023 that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- F. Financial Statements
- G. Operating Manual Table of Contents
- H. Current and Former Franchisees
- I. State Addenda to Disclosure Document
- J. State Addenda to Agreements

Signature: \_\_\_\_\_

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

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

**Keep This Copy For Your Records**

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Signature: \_\_\_\_\_

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

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

### Return This Copy To Us

**Franny's Franchising, Inc. - 231 Biltmore Ave., Asheville, NC 28801**