slumberland FURNITURE

FRANCHISE DISCLOSURE DOCUMENT
SLUMBERLAND FRANCHISING, INC.
a Minnesota corporation
3505 High Point Dr. N
Building #2
Oakdale, MN 55128
(651) 787-7235
www.slumberland.com
adam.petersen@slumberland.com

Slumberland® Businesses market furniture and accessories, such as upholstered and leather furniture, including recliners, motion sofas, sofas and love seats, home office furniture, occasional furniture, casual dining, dressers, chests, metal beds, mattresses and box springs, carpeting, floor coverings, area rugs, draperies, window treatments, interior design services and installation, and measurement services.

The total investment necessary to begin operation of a franchised Slumberland® Business ranges from $829,500 to $3,215,000. This includes $385,000 to $785,000 that must be paid to us or one of our affiliates. If you enter into an Area Development Agreement, the Development Fee is equal to the sum of the initial fee in the then-current standard franchise agreement for the first Slumberland® Business you must develop (currently, $50,000), plus 50% of the initial fee due under the then-current standard franchise agreement (currently, $25,000) multiplied by the number of additional Slumberland® Businesses you agree to develop.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Adam Petersen at Slumberland Franchising, Inc., 3505 High Point Dr. N, Building #2, Oakdale, MN 55128, (651) 787-7235.

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

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

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

Issuance Date: April 29, 2026

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. 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 Minnesota than in your own state.

2. **Spousal Liability**. If you are married, your spouse must sign a personal guarantee making him/her jointly and severally liable for all obligations of the franchise, whether or not such spouse is involved in the operation of the franchise business. This requirement places both you and your spouse's marital and personal assets, including your house, at risk if your franchise fails.

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

NOTICE REQUIRED
BY
STATE OF MICHIGAN

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

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

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

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

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions 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 franchised 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.

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

(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 or 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 franchisee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

* * * *

Any questions regarding this notice should be directed to the Department of the Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

SLUMBERLAND FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT

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1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

Slumberland Franchising, Inc., the Franchisor, is referred to in this Franchise Disclosure Document as "Slumberland" or "we." "You" means the person or entity who is granted a Slumberland® franchise. Slumberland was incorporated in Minnesota on May 3, 2007. Slumberland does business under its corporate name and the name "Slumberland®", and maintains its offices at 3505 High Point Dr. N, Building #2, Oakdale, Minnesota 55128. Slumberland's agents for service of process are disclosed in the State Agency Exhibit attached to this Franchise Disclosure Document. Slumberland has no affiliates that offer franchises in any line of business, and except as set forth below, no affiliates that provide products or services to its franchisees.

Predecessors and Affiliates of Slumberland

Slumberland, Inc., Slumberland International, Inc., and Slumberland International Co. are predecessors and/or affiliates of Slumberland. Slumberland, Inc. was incorporated in Minnesota on April 18, 1968 and has owned and operated Slumberland® Businesses since that time. Slumberland, Inc. also granted Slumberland® franchises from 1974 until April 30, 1985. Slumberland, Inc. is located at 3505 High Point Dr. N, Building #2, Oakdale, Minnesota 55128. Slumberland, Inc. is a supplier for advertising materials and services, and the brand name beds, mattresses, bedroom furniture, sofas, reclining chairs, upholstered furniture, and other merchandise approved for sale in Slumberland® Businesses (see Item 8). Slumberland International, Inc. ("SII"), formerly located at 630 Pierce Butler Route, St. Paul, Minnesota 55104, was incorporated in Minnesota on July 17, 1985, and was a wholly-owned subsidiary of Slumberland, Inc. SII granted Slumberland® franchises from January 31, 1986, until December 22, 1986, when it was merged into Slumberland, Inc. SII did not own or operate any Slumberland® Businesses. Slumberland International Co. ("SCO"), formerly located at 630 Pierce Butler Route, St. Paul, Minnesota 55104, was incorporated in Minnesota on December 18, 1986, and was the parent of Slumberland. SCO granted Slumberland® franchises from March 1987 until March 31, 2007. SCO was merged into Slumberland on March 31, 2016. SCO did not own or operate any Slumberland® Businesses.

Franchised Business

A "Slumberland® Business" markets furniture and accessories, such as upholstered and leather furniture, including recliners, motion sofas, sofas and love seats, home office furniture, occasional furniture, casual dining, dressers, chests, metal beds, mattresses and box springs, carpeting, floor coverings, area rugs, draperies, window treatments, interior design services and installation, and measurement services. Slumberland® Businesses feature some of the best known brand names such as Sealy®, Tempur-pedic®, and La-Z-Boy®. Slumberland® Businesses operate in a developed market and the businesses that you will compete with include department stores, mass merchandisers, furniture store chains, independent furniture stores, other specialty stores and e-commerce on the Internet. Sales are not typically seasonal and are dependent upon your customers' propensity to purchase furniture. There are no local, state or federal regulations specific only to your Business.

Slumberland® Businesses are typically located in free-standing buildings and range from 20,000 to 45,000 square feet in size. In limited circumstances, an existing franchisee who meets Slumberland's qualifications may be allowed to open a Slumberland® "Outlet Center" for the sale of overstocked, damaged, discontinued or factory outlet items. If you are an existing franchisee who is allowed to open an Outlet Center, you will sign a copy of the Addendum to Franchise Agreement for Outlet Center attached as an exhibit to this Franchise Disclosure Document. As of December 31, 2025, there were 68 operational franchised Slumberland® Businesses (including affiliated Outlet Centers) and 1 stand-alone Outlet Centers (see Item 20).

Unless otherwise specified, the information contained in this Franchise Disclosure Document is applicable to a Slumberland® Business, and all references in this Franchise Disclosure Document to the "Slumberland® Business" or the "Business" includes a Slumberland® Business, and a Slumberland® Outlet Center.

Area Development Agreement

If you meet the qualifications established by Slumberland, you may enter into an Area Development Agreement for the development of multiple Slumberland® Businesses in a designated geographic area called a "Territory." Under the Area Development Agreement, you must develop an agreed upon number of Slumberland® Businesses within an agreed upon period of time. You will sign a copy of the Area Development Agreement attached as an exhibit to the Franchise Disclosure Document. You must sign a separate Franchise Agreement, the terms of which may differ from the current Franchise Agreement included with this Franchise Disclosure Document, for each Slumberland® Business you develop under an Area Development Agreement.

Prior Business Experience of Slumberland and its Predecessors and Affiliates

Slumberland, Inc. has owned and operated Slumberland® Businesses since 1968, and as of December 31, 2025, Slumberland, Inc. owned and operated 51 Slumberland® Businesses. Slumberland, Inc. granted Slumberland® franchises from 1974 until April 30, 1985. SII granted Slumberland® franchises from January 31, 1986 until December 22, 1986, when it was merged into Slumberland, Inc. SCO franchised Slumberland® Businesses from March 1987 until March 31, 2007, when the Franchise Agreements for 66 Slumberland® franchises were assigned by SCO to Slumberland, effective May 31, 2007. Neither SII nor SCO granted franchises in any other lines of business. Slumberland, Inc. no longer grants Slumberland® franchises, and does not grant and has not granted franchises in any other lines of business. Slumberland has offered franchises for Slumberland® Businesses since May 2007. Slumberland has not granted and does not grant franchises in any other lines of business.

2. BUSINESS EXPERIENCE

Kenneth R. Larson: Director

Mr. Larson has been employed by our affiliate, Slumberland, Inc., since 1968, and served as its President from 1970 until February 2008 and its Chief Executive Officer until May 2017. He is currently a Director of Slumberland, Inc. Mr. Larson has been a Director of Slumberland Franchising, Inc. since May 2007. He was its Chief Executive Officer from May 2007 to May 2017, and its President from May 2007 until March 2009.

Barbara J. Larson: Director

Ms. Larson has been a Director of our affiliate, Slumberland, Inc., since December 1977. Ms. Larson also has been a Director of Slumberland Franchising, Inc. since May 2007.

Kenneth S. Larson: Chief Executive Officer

Mr. Larson has held various roles with our affiliate, Slumberland, Inc., since January 1990. He has been its Chief Executive Officer since May 2017. Mr. Larson has been the Chief Executive Officer of Slumberland Franchising, Inc. since May 2017, and was President from March 2008 to September 2023.

Michael P. Larson: President

Mr. Larson has been the President since February 2026. He was the Chief Operating Officer and Chief Development Officer for Slumberland from April 2024 to February 2026. He was Vice President of Real Estate Development for Slumberland from January 2021 to April 2024. Prior to that, he was the Director of Real Estate Development from May 2007 to January 2021, and the Director of Franchise Development for Slumberland from May 2007 to March 2016.

Joshuah Priniski: Vice President, Franchising

Mr. Priniski has been the Vice President, Franchising for Slumberland since July 2023. He was Senior Director of Business Strategy and Execution for Slumberland from March 2023 to July 2023. Prior to that, he was Director of Support and Development for Slumberland from July 2020 to March 2023, and he was Franchise Business Consultant for Slumberland from November 2017 to July 2020.

Adam Petersen: Vice President, Franchise Development

Mr. Petersen has been Vice President, Franchise Development for Slumberland since September 2025. Prior to that, he was Vice President of Franchise Development for BNI in Charlotte, North Carolina from January 2025 to September 2025, and Director of Franchise Development for Astute Brands in Englewood, Colorado from March 2020 to November 2022.

3. LITIGATION

No litigation is required to be disclosed in this Item.

4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

5. INITIAL FEES

Initial Fee

You will pay us an Initial Fee of $50,000. If you subsequently open a second franchised Slumberland® Business in the same market area, you will pay us an Initial Fee of $40,000 for the second Slumberland® Business you open. If you subsequently open a third franchised Slumberland® Business in the same market area, you will pay us an Initial Fee of $30,000 for the third Slumberland® Business you open. For each subsequent franchised Slumberland® Business that you open in the same market area, you will pay us an Initial Fee of $20,000. The applicable Initial Fee is due when you sign the Franchise Agreement. There is no additional Initial Fee for a Slumberland® Outlet Center.

If you have been employed by us or Slumberland, Inc. for more than five years and you meet certain other qualifications, you will pay us an Initial Fee equal to 40% of the applicable standard Initial Fee for a franchised Slumberland® Business. If you have been employed by us or Slumberland, Inc. at least three years but not more than five years, and you are otherwise qualified, you will pay an Initial Fee to Slumberland equal to 60% of the applicable standard Initial Fee.

Slumberland offers a 10% discount on the Initial Fee to any honorably discharged veteran of the military forces.

Except as disclosed in this Item, the Initial Fee is uniform. The Initial Fee is not refundable.

Area Development Agreement

If you sign an Area Development Agreement, you must pay us a Development Fee equal to the sum of the initial fee in the then-current standard franchise agreement (currently, $50,000) for the first Slumberland® Business you must develop in the Territory, plus 50% of the initial fee due under the then-current standard franchise agreement (currently, $25,000) multiplied by the number of additional Slumberland® Businesses you must develop in the Territory. You must pay the Development Fee in full when you sign the Area Development Agreement. You must also sign a separate Franchise Agreement for each Slumberland® Business you develop under the Area Development Agreement. The Development Fee is payable for the reservation of future development rights and is not refundable under any circumstances. No Initial Fee will be due for the Slumberland® Businesses developed in the Territory pursuant to the Development Schedule. You must sign your first Franchise Agreement when you sign the Area Development Agreement.

Technology and Hardware

You must purchase, lease, license or otherwise acquire the required Technology and Hardware (and related cabling services) required for your Slumberland® Business from Slumberland, Inc. before you commence business, at an estimated initial investment ranging from $50,000 to $85,000 (see Items 7, 8 and 11). Payments to Slumberland, Inc. for your Technology and Hardware are not refundable.

Initial Inventory

You will purchase the initial inventory of merchandise for your Slumberland® Business from Slumberland, Inc. and other approved suppliers before you commence business (see Item 8). The estimated cost of your initial inventory will range from $300,000 to $650,000 (see Item 7). Payments to Slumberland, Inc. for merchandise are generally not refundable and are subject to franchise credit terms and conditions in the Operations Modules.

6. OTHER FEES

Type of Fee (1)	Amount	Date Due	Remarks
Continuing Fees	The greater of: 3% of monthly Gross Revenues, or the minimum monthly Continuing Fee specified in Exhibit A of your Franchise Agreement (2) (3)	15th day of each month for the preceding month	Gross Revenues include the total dollar income from all sales from your Slumberland® Business. It does not include sales, use or gross receipt taxes.
Technology Fees	Estimated range of $1,000 to $3,000 a month per location maintenance and licensing fees	Monthly: 15th day of each month	Payable to Slumberland, Inc. The amount of your Technology Fee will vary depending upon the Technology and Hardware package utilized in your Business. See Item 8 and Item 11 for additional information.

Type of Fee (1)	Amount	Date Due	Remarks
Local Advertising Expenditures (4)	8% of Gross Revenues	Monthly	You must provide Slumberland with reports of your local advertising expenditures by the 15th day of each month.
Brand Development Fee (5)	Then-current fees; currently 1% Gross Revenues	Monthly: 15th day of each month	Slumberland may charge up to 2% of your monthly Gross Revenues. Slumberland will not increase this fee more than .5% in a single calendar year, and will give you at least 90 days' notice of any increase. Slumberland will credit the Brand Development Fee towards your Local Advertising Expenditures. See Item 11.
Regional Advertising Fee (6)	Pro rata share of regional advertising, will not exceed 2% of Gross Revenues.	Monthly: 15th day of each month	Only applicable if Slumberland, Inc. operates a store in your Designated Marketing Area ("DMA"). Payable to Slumberland, Inc. Slumberland will credit the Regional Advertising Fee towards your Local Advertising Expenditures. See Item 11.
Audit Fees	Amount incurred by Slumberland to audit your Business	Within 10 days of receipt of an invoice	Payable only if, upon an audit by Slumberland, you understated your Gross Revenues by more than 2%.
Transfer Fee	$5,000 for transfer of equity interest in you; $10,000 for any other transfer	Before the date of the transfer of the agreement or the transfer of controlling interest in the Business	Slumberland must approve the transfer.
Renewal Fee	$5,000	Payable upon signing renewal franchise agreement	You must meet renewal conditions described in the Franchise Agreement

Type of Fee (1)	Amount	Date Due	Remarks
Training Fees	Then-current fees; currently $300 per trainee if the training is held in St. Paul, Minnesota, or $300 per trainer, plus expenses if the training is held at the Franchised Location	Before attending training	Payable to Slumberland, Inc.; new Managers must successfully complete the required training program within 45 days after hire. Slumberland has the right to increase these fees by up to 20% per year.
Store Remodel Fee	Then-current fees, currently $3,000 to $10,000, depending on the circumstances	Before any remodel plans are drafted	Payable to Slumberland, Inc.
Merchandise Charge	Currently, 2.5% to 8% of merchandise purchases based on vendor.	When merchandise is purchased	Payable to Slumberland, Inc. The Merchandise Charge will not be increased by more than 2% in a single calendar year, and only with at least 90 days' notice.
Collection Charges for Unpaid Fees	Amount incurred by Slumberland to collect unpaid fees	On demand	Includes the amount of actual attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses.
Interest Charges for Unpaid Fees	The lesser of 18% per annum or the maximum legal rate allowable in the state in which your Business is located	On demand	Applies to past due amounts owed to Slumberland.
Optional Management and Operational Assistance Fees (7)	Then-current fees; currently $300 per day, plus expenses if provided at the Franchised Location	After assistance is completed	At no additional cost to you, Slumberland will provide 200 hours of on-the-job training pre-opening and opening assistance, and 20 hours of management and operational assistance during the first year of the Franchise Agreement (see Item 11). However, you must pay Slumberland, Inc. for any additional opening and management assistance provided during the term of the Franchise Agreement.

Type of Fee (1)	Amount	Date Due	Remarks
Optional Onsite Assistance Fee	Then-current fees; currently $150 person per day, plus expenses if provided at the Franchised Location	After assistance is completed	Payable to Slumberland, Inc. for any additional assistance it provides that is not management, operational or professional assistance.
Optional Professional Services Fees	Then-current fees; currently $300 per day, plus expenses if provided at the Franchised Location	On demand after services are provided	Payable to Slumberland, Inc. for any professional services provided upon your request, including design services and sales training.
Accounting Support Fees	Then-current fees; currently $80 per hour, plus expenses if provided at the Franchised Location	On demand after services are provided	Payable to Slumberland, Inc. for any services exceeding 15 minutes of support time. Only payable if you request such services.
Relocation Fee	Amount equal to the costs incurred for the relocation	When Slumberland approves the relocation	Payable only if you relocate your Business to another Franchised Location.
Late Financial Statement Fee	$500 for each month that you fail to submit the required quarterly or annual financial statement	On demand	Due if you fail to submit a required quarterly or annual financial statement on time to help cover our administrative costs.
Insufficient Funds Fee	All bank fees incurred plus a service charge of $100	As incurred	Due if payment is rejected due to insufficient funds

Footnotes:

(1) You must pay each fee to Slumberland unless otherwise noted. All fees are nonrefundable and uniformly imposed unless otherwise noted. All fees due Slumberland and our affiliates are paid via automatic transfer of funds and amounts paid to Slumberland, Inc. are subject to franchise credit terms and conditions described in the Operations Modules.

(2) The minimum monthly Continuing Fee begins 24 months after the date of the Franchise Agreement. The minimum monthly Continuing Fee for your Slumberland® Business is determined according to the following schedule:

Household Count Within 10-Mile Radius of Franchised Location	Minimum Monthly Continuing Fees
Under 5,000	$1,250
5,000-7,500	$1,875
7,500-10,000	$2,500
10,000-12,500	$3,000
12,500-15,000	$3,500
15,000-20,000	$4,000

20,000-30,000	$4,500
30,000-40,000	$5,000
40,000-50,000	$6,250
50,000+	$7,500

Upon 60 days prior written notice, Slumberland can re-evaluate the minimum monthly Continuing Fee for your Slumberland® Business every five years during the term of the Franchise Agreement, based on a change in the number of households within a 10-mile radius of your Franchised Location, or a change in minimum monthly Continuing Fee provided for in our then-current standard Franchise Agreement. Any change of your minimum monthly Continuing Fee implemented by Slumberland will not affect the percentage of your monthly Continuing Fee.

(3) Employees of Slumberland, Inc. who become Slumberland® franchisees after being employed by Slumberland, Inc. for at least three years will pay reduced monthly Continuing Fees for the first 12 months of the operation of their franchised Slumberland® Businesses in a new market based upon their years of employment according to the following schedule:

Years of Employment	Monthly Continuing Fee
3 to 5	2.5% of Gross Revenues
More than 5	2% of Gross Revenues

The minimum monthly Continuing Fee will not apply during the first 24 months of operation.

(4) Expenditures for local advertising are paid to local advertising suppliers, not us. However, if you do not spend the required percentage of your Gross Revenues on local or regional advertising every calendar month, then you must deposit the amount of your deficiency with us. We will spend this amount on advertising for your Business as we deem appropriate. You must purchase paid digital media such as, but not limited to, social media advertising, search engine marketing, display advertising, online video and CTV (Connected TV) from a Slumberland approved agency vendor.

(5) On the 15th of each month, you will pay 1% of your monthly Gross Revenues to Slumberland, Inc. for group advertising and promotion of the Slumberland System. Slumberland may charge up to 2% of your monthly Gross Revenue. Slumberland will not increase this fee more than 0.5% in a single calendar year, and will give you at least 90 days' notice of any increase. Your monthly contributions to Slumberland, Inc. for advertising and promotion will reduce your monthly local advertising requirement. See Item 11.

(6) If Slumberland, Inc. owns and operates a location within the same DMA as defined by Nielsen, that your Franchised Location is located, you must pay Slumberland, Inc. a monthly Regional Advertising Fee in an amount equal to Franchisee's *pro rata* share of all costs Slumberland, Inc. incurs for any regional advertising and other promotion. Your *pro rata* share is calculated as follows: (a) Slumberland will calculate the total number of TV households within the DMA from published Nielsen data (or other sources Slumberland selects in their reasonable judgment) ("Total TV Households") and will calculate the total Gross Revenues attributable to sales from the DMA from all Slumberland® stores located in the DMA during the prior reporting year ("Total Prior Year DMA Sales"); (b) you will be allocated TV households in the DMA ("Franchisee's TV Households) by multiplying Total TV Households times a fraction, the numerator of which is your Gross Revenues from the DMA during the prior reporting year ("Franchisee's Prior Year DMA Sales") and the denominator of which is the Total Prior Year DMA Sales; and (c) your *pro rata* share is obtained by dividing Franchisee's TV Households by Total TV Households. Slumberland will notify you, at least 30 days before the applicable advertising year, of the number of each of the following: (i) Franchisee's TV Households; (ii) your *pro rata* share; and (iii) Slumberland, Inc.'s estimated costs for the applicable advertising year. If Slumberland, Inc. incurred any expenses in the preceding month on any advertising and promotional costs in the DMA, Slumberland will invoice you each month for your *pro rata* share. Slumberland will credit the Regional Advertising Fee towards your Local Advertising Expenditure, and you will not pay Slumberland, Inc. any part of the your *pro rata* share that exceeds 2% of your monthly Gross Revenues on local or regional advertising. See Item 11.

(7) The 20 hours of management assistance during your first year includes travel time to the Franchised Location. Slumberland, Inc. will conduct optional management sales training meetings for all franchisees in St. Paul, Minnesota.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

SLUMBERLAND® BUSINESS

Type of Expenditure	Amount (Low-High) (1)		Method of Payment (2)	When Due	To Whom Payment is to be Made
Initial Fee	$50,000	$50,000	Lump Sum	See Item 5 of this Franchise Disclosure Document	Slumberland
Wages, Travel and Living Expenses During Training (3)	$1,000	$6,000	As Incurred	During Training	Manager, Airlines, Hotels and Restaurants
Building Lease - 3 Months (4)	$9,000	$150,000	As Arranged	As Incurred	Building Owner
Leasehold Improvements	$100,000	$1,500,000	As Incurred	Before Opening	Suppliers
Furniture, Fixtures and Equipment	$150,000	$400,000	As Arranged	Before Opening	Slumberland, Inc., Supplier or Leasing Company
Technology and Hardware (5)	$50,000	$85,000	As Arranged	Before Opening	Slumberland, Inc.
Signs	$20,000	$60,000	As Arranged	Before Opening	Suppliers
Delivery Vehicle Leases - 3 Months (6)	$4,500	$9,000	As Incurred	As Incurred	Suppliers
Initial Inventory	$300,000	$650,000	As Incurred	Before Opening	Slumberland, Inc., Suppliers
Additional Funds - 3 Months (7)	$150,000	$300,000	As Incurred	As Incurred	Slumberland, Inc., Employees, Insurance Companies, Suppliers and Utilities
TOTAL (8) (9)	$834,500	$3,210,000			

Footnotes:

(1) For this estimated range of costs, Slumberland relied on its management's experience in the retail furniture business as disclosed in Item 2 of this Franchise Disclosure Document. You should carefully review these figures with your business advisor before making any decision to purchase a franchise.

(2) Payments are not refundable unless otherwise noted.

(3) You must pay for the salaries, fringe benefits, travel costs, lodging, food, automobile rental and other expenses incurred by you and your Manager while attending the training program.

(4) Slumberland® Businesses are generally located in free standing buildings which range in size from 15,000 to 50,000 square feet. The estimated annual rental costs for your Business premises generally range from $4 to $12 per square foot. If you purchase an existing building and land for your Slumberland® Business or if you purchase the land and construct the building, the estimated cost will be between $600,000 and $6,000,000. These estimates will vary depending on the state and city, the location of the Slumberland® Business, the local economy, interest rates, land costs, labor availability, competition, and the economic climate in the market area.

(5) This estimated range of initial expenditures for the lease of your Technology and Hardware includes initial software licensing fees. See Item 11 for additional information on the Technology and Hardware for your Business.

(6) The estimates provided in the chart above assume that you will lease your delivery vehicle. If you purchase a delivery vehicle for your Business, it will cost between $40,000 and $100,000. You may also contract with a third party to make deliveries on a per delivery basis.

(7) Your additional funds will be used for supplies, inventories, salaries and fringe benefits for you and your employees, insurance, legal and accounting fees, advertising, marketing and promotion costs, software licensing fees, Technology Fees, and other miscellaneous operating costs. This amount will vary depending upon the size of your Slumberland® Business, your Technology and Hardware package, number of employees, wage rates, sales levels attained, competition and other economic factors. This estimate is based upon our (and our predecessors') experience owning and operating Slumberland® Businesses since 1968, and selling Slumberland® franchises since 1974.

(8) This estimate does not include the percentage of your Gross Revenues that you must pay for Continuing Fees or spend for advertising. These figures are estimates only, and it is possible that you may have additional or greater expenses during this period. Your costs will vary depending on the size of your Business, economic and market conditions, interest rates, competition, wage rates, sales levels attained, and other economic factors.

(9) If you sign an Area Development Agreement, you must pay Slumberland a Development Fee equal to the sum of the initial fee in the then-current standard franchise agreement for the first Slumberland® Business you must develop in the Territory, plus 50% of the initial fee due under the then-current standard franchise agreement multiplied by the number of additional Slumberland® Businesses you must develop. You must pay the nonrefundable Development Fee in full when you sign the Area Development Agreement. You must sign a separate Franchise Agreement for each Slumberland® Business you develop under the Area Development Agreement. You must sign your first Franchise Agreement when you sign the Area Development Agreement.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase, lease, license or otherwise acquire, install and utilize the Technology and Hardware required by Slumberland for your Business, including the point-of-sale, accounting and inventory access system developed for Slumberland® Businesses. You must lease the Technology and Hardware (and related cabling services) from Slumberland, Inc. at a cost ranging from $50,000 to $85,000 (see Items 5, 7 and 11). You will also pay Slumberland, Inc. the then-current monthly and annual Technology Fees

(see Item 6). You must lease the required Technology and Hardware for your Business from Slumberland, Inc. before you commence business. This expenditure may constitute up to 10% of the cost to establish your Business. Slumberland, Inc. is also the designated supplier for certain products and merchandise, including furniture, bedding and sofas, that are sold under proprietary brand names owned by Slumberland, Inc. (see below in this Item for additional information). Slumberland, Inc. derives a profit from the sale of merchandise to you. You will not have any other source of supply for this merchandise.

You will, at your sole expense, use and employ in your Slumberland® Business, the inventory purchasing and distribution systems that we may periodically require for use in Slumberland® Businesses, including inventory purchasing and distribution methods and systems that will use the Slumberland® distribution centers, all of which may affect your freight and delivery charges and expense.

We have approved certain brand name merchandise, such as Sealy®, La-Z-Boy®, and Tempur-pedic® for sale by all Slumberland® Businesses. You will purchase certain brand name mattresses only from Slumberland, Inc. However, you will have the right to purchase certain approved brand name merchandise as specified in the Operations Modules or otherwise in writing by us from the manufacturer or from any other supplier that you may choose, including Slumberland, Inc.

You must purchase certain products and merchandise used or sold at your Business from suppliers we approve in writing ("approved suppliers"). Slumberland will provide you with a list of all products and merchandise that must be purchased from approved suppliers and will periodically update this list. The list will also contain the names and addresses of all approved suppliers. This requirement is necessary to ensure that all franchisees adhere to the uniformity requirements and quality standards associated with Slumberland® Businesses. We will revoke approval of a supplier if the supplier's products or merchandise no longer meet our standards and specifications.

We are not an approved supplier for the products and services used or sold at your Business, and we currently do not derive revenue from your purchases or leases from approved suppliers, however, we reserve the right to receive revenue in the future. However, Slumberland, Inc. is an approved supplier for certain services and merchandise that may be used in or sold by your Business, and is a designated supplier for certain advertising materials and merchandise that may be used in or sold by your Business, including the brand name mattresses sold at your Business. Slumberland, Inc. derives a profit from the sale of merchandise to you. Your purchase of merchandise from Slumberland, Inc. can constitute up to 85% of the cost of establishing your Business. The percentage of your annual purchases from Slumberland, Inc. for your Business will vary greatly, depending upon the volume of your Business, the size of your Business and whether you choose to purchase certain services and merchandise from Slumberland, Inc. or from other approved suppliers. In addition, currently, Slumberland, Inc. offers a 1% discount on full truckloads of inventory purchases that are paid within 10 days and part of its "Ship to Store" program. Based upon the financial statements maintained by Slumberland, Inc. for the fiscal year ended December 31, 2025, Slumberland® franchisees paid Slumberland, Inc. $4,414,442 for advertising materials and services, $1,198,486 for Technology and Hardware and related services, and $84,788,243 for proprietary brand name and other brand name mattresses and merchandise. You will sign a copy of the Security Agreement attached as an exhibit to the Franchise Agreement which grants Slumberland, Inc. a security interest in the merchandise you purchase from Slumberland, Inc.

Certain of our officers own an interest in us, Slumberland, Inc. and Wells Fargo & Company. Otherwise, no officer of Slumberland owns an ownership interest in any of your suppliers.

You must obtain our written approval in accordance with the Operations Modules before you sell, offer or use any unapproved Products and Services. If you want to purchase products (other than mattresses) and services from suppliers who we have not previously approved, then you must send

representative samples or specifications of that supplier's goods or services to us as we determine and as outlined in the Operations Modules. Within 60 days after receiving the necessary samples and information, we will determine whether the specified products or services comply with its established uniformity requirements, quality standards and specifications and will advise you in writing as to its determination. We do not charge any fees for the approval of suppliers. Our criteria for supplier approval are available to franchisees. We will not consider alternative suppliers for mattresses.

Franchisees may receive rebates from certain suppliers based upon the system wide and/or their purchases from these suppliers during the year. You may be entitled to receive a volume discount or other payment for the purchase of certain brands of merchandise if you meet the established minimum purchase requirements for your Business. If you do not meet the minimum purchase requirements, then you will not be entitled to any payment. We or Slumberland, Inc. may negotiate purchase arrangements with suppliers for the benefit of our franchisees. We or Slumberland, Inc. may receive income in the form of volume discounts, advertising and marketing allowances, or other payments or credits from approved suppliers that sell products or services to Slumberland's franchisees or the franchisees' customers. In some cases, prices charged by suppliers to the Slumberland® Businesses operated by Slumberland, Inc. may be less than prices charged to franchised Slumberland® Businesses based on volume, credits, administrative costs or other factors. Payments may take the form of a percentage of sales for purchases from the supplier or a fixed or set transactional amount. Slumberland, Inc. has entered into an agreement with Wells Fargo Financial Bank ("Wells Fargo") to provide primary financing for the customers of its Slumberland® Businesses who wish to purchase merchandise on credit. Slumberland, Inc. also has entered into an agreement with Affirm, Inc. to provide a buy-now, pay-later payment option for customers. Slumberland, Inc. also has entered into an agreement with Acima, Inc. to provide a lease-to-own payment option for customers in states where lease-to-own is available. Wells Fargo is an approved supplier and must be used as the "first look" financing company in all Slumberland Businesses. You will have the right to directly contract with Wells Fargo, Affirm, Acima or any other consumer financing company you choose to provide additional financing for purchases made by your customers. For the fiscal year ended December 31, 2025, Slumberland, Inc. did not retain any payments from suppliers that were based on purchases made by franchisees and distributed these amounts to franchisees.

Except as described above in this Item, we and Slumberland, Inc. (1) do not offer any purchasing or distribution cooperatives, (2) have not negotiated favorable purchase terms for you with your suppliers, and (3) do not provide material benefits, such as renewals or granting of additional franchises, to you based on your use of approved or designated suppliers.

You must purchase or lease certain furniture and equipment that satisfy Slumberland's written standards and specifications. This requirement is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all Slumberland® Businesses. We will provide you with written standards and specifications for your furniture, fixtures, supplies, equipment, signs and insurance. Slumberland formulates its standards and specifications at its sole discretion. Slumberland will periodically modify its written standards and specifications and you must comply with any modifications.

You must also obtain our prior written approval for advertising concepts, materials and media, remodeling and redecoration of the Franchised Location, acceptance of unapproved credit cards or financing arrangements and displaying of unapproved signs at the Franchised Location. We determine the manner in which prior written approval is given for the purchase or lease of certain products and services for your Slumberland® Business in our sole discretion. You will be responsible for ensuring that all products and merchandise selected by you conform to our standards and specifications. We reserve the right to reject in writing any products or merchandise supplied to you by any supplier if they fail to meet our written standards and specifications.

At your expense you must purchase and maintain for each Business you operate, insurance in the amounts we specify in the Operations Modules or as we otherwise provide to you in writing. Currently, we require that you maintain: (1) commercial general liability insurance with minimum limits of not less than $1,000,000 per occurrence; $1,000,000 general aggregate; $1,000,000 products/completed operations aggregate; (2) automobile liability insurance with minimum limits of (a) a combined single limit of liability for bodily injury and property damage of at least $1,000,000; and (b) commercial hired and non-owned automobile coverage in the face amount of at least $1,000,000 combined single limit of liability for bodily injury and property damage; (3) umbrella liability insurance with minimum limits of $5,000,000; (4) all risks property insurance; (5) business interruption coverage for loss of income of at least $500,000 per Slumberland® Business location; (6) employment practices liability insurance including 1st and 3rd party coverage with a $1,000,000 limits; (7) network security and privacy insurance with a minimum coverage of at least $1,000,000; (8) commercial crime coverage of at least $500,000; (9) fiduciary liability coverage of at least $500,000; and (10) all insurance required by state and federal law, including workers' compensation insurance. All insurance policies must name us and our affiliates as additional insureds and must meet any other requirements that we designate.

Other than as described above in this Item 8, you do not need to purchase any products or merchandise from designated suppliers or approved suppliers (including us or our affiliates) or that meet Slumberland's standards and specifications.

9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

	Obligation	Article in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Articles 6 and 19 of Franchise Agreement	Item 11
b.	Pre-opening purchases/leases	Articles 6.2, 6.4, 6.6, 9.18, 9.22, 9.23, 9.24, 10 of Franchise Agreement	Items 5, 8 and 11
c.	Site development and other pre-opening requirements	Article 6 of Franchise Agreement	Items 7 and 11
d.	Initial and ongoing training	Article 7 of Franchise Agreement; Addendum to Franchise Agreement for Outlet Center	Item 11
e.	Opening	Articles 6.5 and 7.5 of Franchise Agreement	Item 11
f.	Fees	Articles 4, 5, 7, 9.18, 9.19, and 9.21 of Franchise Agreement; Addendum to Franchise Agreement for Outlet Center; Article 3 of Area Development Agreement.	Items 5 and 6
g.	Compliance with standards and policies/Operations Modules	Article 9 of Franchise Agreement	Item 11

	Obligation	Article in Agreement	Disclosure Document Item
h.	Trademarks and proprietary information	Articles 3 and 12 of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Articles 9.22, 9.23 and 9.24 of Franchise Agreement	Item 16
j.	Warranty and customer service requirements	Article 9 of Franchise Agreement	
k.	Territorial development and sales quotas	Article 4 of Area Development Agreement	Item 12
l.	Ongoing product/service purchases	Article 9 of Franchise Agreement	Item 8
m.	Maintenance, appearance and remodeling requirements	Articles 9.3 and 9.4 of Franchise Agreement	Item 8
n.	Insurance	Article 10 of Franchise Agreement	Item 7
o.	Advertising	Article 8 of Franchise Agreement	Items 6 and 11
p.	Indemnification	Article 18.3 of Franchise Agreement	Item 9
q.	Owner's participation/management/staffing	Article 9.10 of Franchise Agreement	Items 11 and 15
r.	Records and reports	Article 11 of Franchise Agreement	Item 6
s.	Inspections and audits	Articles 9.11 and 11.5 of Franchise Agreement	Item 6
t.	Transfer	Article 14 of Franchise Agreement; Article 10 of Area Development Agreement	Item 17
u.	Renewal	Article 2.3 of Franchise Agreement; Article 2 of Area Development Agreement	Item 17
v.	Post-termination obligations	Article 17 of Franchise Agreement; Article 7 of Area Development Agreement	Item 17
w.	Non-competition covenants	Article 13 of Franchise Agreement; Article 8 of Area Development Agreement	Item 17
x.	Dispute resolution	Article 20 of Franchise Agreement; Articles 11 and 12 of Area Development Agreement	Item 17

10. FINANCING

We or Slumberland may offer financing to corporate Store employees who purchase a franchise. The financing is for the purchase of inventory from Slumberland, Inc. Such financing will be made subject to terms and conditions set forth in a standardized commercial promissory note, security agreement, and other agreements and documents we or Slumberland, Inc. may reasonably require, given the size and purpose of the financing. The terms and amount of financing that will be offered, including the

applicable rate of interest, finance charges and repayment periods will be based on certain factors such as creditworthiness, the amount of financing requested, and the purpose of the intended loan. The applicable rate of interest will generally correspond to commercial rates generally available for similar loans, based on creditworthiness, plus an amount to cover the internal costs we or Slumberland, Inc. will incur as a result of providing such financing. The rate of interest and finance charges will not, however, exceed the maximum amount allowed under applicable State law. Promissory note obligations will be secured at a minimum by the inventory for which the financing is being extended, but may also require you to grant a security interest in other personal property assets such as other inventory, accounts receivable, equipment, and fixtures. Promissory note obligations generally will require monthly or semi-monthly payments of accrued interest, late charges, and a portion of the outstanding principal amount of the loan. Partial or full prepayment of principal amount of the financing will be allowed at any time during the term of the loan without penalty or premium. Our remedies following the an event of default under the financing agreements will include the right to immediately accelerate the repayment of the entire outstanding amount of the financing; the right to collect from you our or Slumberland, Inc.'s costs incurred in enforcing the financing agreements (including collection costs, attorney's fees, court costs, and expenses relating to enforcement of guarantees); setoff rights against amounts that we or Slumberland, Inc. may owe you; the right to acquire collateral securing the financing; the right to exercise other rights granted under the credit support documents; and such other rights and remedies customarily available at law and in commercial financing arrangements of this type. The remedies will be non-exclusive and cumulative and allow for our or Slumberland, Inc.'s discretion as to their exercise or non-exercise of such rights. The financing agreements will also contain standard waivers, to the extent the same may be waived under applicable State law, including waivers of notice, protest, presentment, notice of dishonor, demand for payment, jury trial right, and inconvenient forum. It is not our practice or intent to sell, assign, or discount to a third party all or part of the financing arrangements; however, we and Slumberland, Inc. reserve the right to do so should circumstances so require. Copies of the form of promissory note, security agreement and guarantee are attached as Exhibit G.

Other than described above, we do not offer direct or indirect financing and will not guaranty any promissory notes, loans, leases, or other obligations you may incur as part of your business operations.

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

Except as disclosed below, Slumberland is not required to provide you with any assistance.

Assistance Before Opening Your Business. You will receive the following assistance before you open your Business:

1. Review of the proposed site for your Franchised Location (see Article 6.1 of the Franchise Agreement). Slumberland does not select the specific location of your Franchised Location. The factors considered in reviewing a site include competition, location, surrounding area and traffic patterns. There is no time limit for determining the site for your Franchised Location. However, you must open and commence operating your Business within one year after the date of the Franchise Agreement.

2. Classroom training for you and your Manager at no additional cost to you before you open your Slumberland® Business (see Article 7.1 of the Franchise Agreement and the Training Program chart below in this Item). Classroom training will be offered as often as is necessary and will be held at Slumberland's offices in Oakdale, Minnesota.

3. On-the-job training, pre-opening and opening assistance at the Franchised Location to assist with implementing the Business System and the opening of your Slumberland® Business at no cost to you. Any additional opening assistance for your Business and any classroom training (and opening

assistance for an Outlet Center, if applicable) will be provided by Slumberland, Inc. at the then-current hourly rate charged by Slumberland, Inc., which is currently $300 per day plus expenses (see Item 6 of this Disclosure Document, Article 7.5 of the Franchise Agreement, the Addendum to Franchise Agreement for Outlet Center, and the applicable Training Program chart below in this Item).

The Slumberland® training programs are supervised by Mr. Joshuah Priniski. Mr. Priniski has been the Vice President of Franchising since July 2023. Prior to that, he has held various roles with Slumberland, including Senior Director of Business Strategy and Execution from March 2023 to July 2023, Director of Support and Development from July 2020 to March 2023, and Franchise Business Consultant from November 2017 to July 2020.

Various other employees of Slumberland, Inc. assist Mr. Priniski, depending upon the topic, with the classroom and on-the-job training. All of these employees have at least 10 years of experience with the Business System. The following chart summarizes the pre-opening training and opening assistance for a Slumberland® Business:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training and Opening Assistance	Location
Corporate History and Philosophy	2 hours		Slumberland University LMS
Signing Day Introductions and Meetings	8 hours		Oakdale, MN
Working Orientation: Business Planning, Human Resources, Marketing, and Customer Service	16 hours		Oakdale, MN
Staff Training in Operations, Sales, Store Set-up and Display, Computer and Accounting		200 hours	Franchised Location and Online – Slumberland University LMS

The instructional materials for Slumberland's training programs include the Operations Modules and other written materials.

You must pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel expenses, lodging, food, automobile rental costs and all other expenses for you and your Manager during training. You and your Manager must complete the classroom training within 90 days after signing your Franchise Agreement and before you open your Business. Neither you nor your Manager is currently required to take any additional training or refresher courses, but this may be required in the future under certain circumstances (see Article 7.3 of the Franchise Agreement).

4. Access to a copy of the Operations Modules (see Article 9.6 of the Franchise Agreement). Attached as Exhibit J is the current table of contents of our Operations Modules.

5. The standard sign plans and specifications for the Signs (see Article 6.6 of the Franchise Agreement).

6. The standards and specifications for all merchandise, products, supplies, furniture, fixtures, equipment and services (see Articles 6.4, 9.18, and 9.22 of the Franchise Agreement).

7. A list of the suppliers for the products and services required for your Business (see Articles 19.23 and 19.24 of the Franchise Agreement).

8. Review of your lease to determine that it contains the provisions required by the Franchise Agreement (see Article 19 of the Franchise Agreement).

9. Designation of the credit cards and financing arrangements you can accept (see Section 9.13 of the Franchise Agreement).

10. We will designate the Technology and Hardware that you will utilize during the term of your Franchise Agreement at your Slumberland Business (see Article 9.18 of the Franchise Agreement). You will purchase, lease, license or otherwise acquire, install and utilize the required Technology and Hardware (and related cabling services) from Slumberland, Inc. at a cost ranging from $50,000 to $85,000 (see Items 5, 7 and 8). Your Technology and Hardware will include client computing terminals, input/output devices such as printers, network components such as local and remote connection devices, telephones and other related equipment. Access to the Slumberland® network, including the retail system, price tag generation, office productivity, e-mail, and private websites will be permitted only on the Technology and Hardware acquired from Slumberland, Inc. Slumberland, Inc. will not support the use of individual personal computers on your local network. If you wish to include personal computers for your local needs, you must work through a local supplier for their procurement, installation and support, and network access for such devices will be limited to basic Internet access with no guaranty of performance or reliability. We will have independent access to the information generated or stored in your Technology and Hardware. There is no limitation on this right.

Slumberland, Inc. will provide access to the proprietary software for the point-of-sale, accounting, and inventory access system that has been developed for Slumberland® Businesses by Slumberland, Inc.'s computer application partners. You must use this point-of-sale, accounting, and inventory access system in your Slumberland® Business, and you may be required to sign a software license agreement in the form attached to the Franchise Agreement. Your Business will have one or more authorized users. Access to the Slumberland® network is limited to the Technology and Hardware acquired from Slumberland, Inc. Any additional computer software needs separate from the Slumberland® network can be purchased by you locally, and will not be supported by Slumberland, Inc.

Your Technology and Hardware will perform point-of-sale and inventory access functions, certain word processing functions, maintain certain sales, financial and management information and provide e-mail communication and Internet access. You will pay Slumberland, Inc. the then-current monthly Technology Fees, which is currently estimated to range from $1,000 to $3,000 per month per location in maintenance and licensing fees. You may be required to acquire additional Technology and Hardware to comply with then-current standards and specifications, and in doing so, you may incur additional acquisition costs. Slumberland is unable at this time to estimate the amount you may spend for additional Technology and Hardware upgrades and acquisitions. There is no contractual limitation on the frequency or cost of this obligation.

11. Generally, a Slumberland® Business will open within 90 to 180 days after the Franchise Agreement is signed. Factors which will affect the opening date of your Business include the selection of your Franchised Location, obtaining financing, completion of training, compliance with local ordinances and delivery of inventory. You must obtain approval from Slumberland in order to open your Business.

Assistance After Opening Your Business. You will receive the following assistance after you open your Business:

1. Twenty hours of management assistance by telephone, e-mail or at your Franchised Location during the first year of the Franchise Agreement (see Article 7.6 of the Franchise Agreement). Travel time to the Franchised Location is included in the 20 hours of management assistance. Any additional management assistance and the management assistance for an Outlet Center will be provided by Slumberland, Inc. at the then-current hourly charged by Slumberland, Inc., which is currently $300 per day (see Section 7.6 of the Franchise Agreement and the Addendum to Franchise Agreement for Outlet Center).

2. Access to the advertising materials Slumberland, Inc. develops (see Article 8.1 of the Franchise Agreement). You must participate in the advertising and promotional programs required by Slumberland (see Article 8.3 of the Franchise Agreement). Your participation in these advertising and promotional programs will apply toward your required expenditure of 8% of your monthly Gross Revenues on local or regional advertising. Print, posters, radio, digital, and television advertising materials are produced in-house and by a regional advertising agency. There is no franchisee advertising council.

3. Review of the advertising, promotion, marketing, public relations or telemarketing programs or campaigns which you propose to use for your Business (see Article 8.1 of the Franchise Agreement). As disclosed in Item 6, you must spend at least 8% of your monthly Gross Revenues on local or regional advertising, marketing, public relations, telemarketing and/or promotional programs. You may create your own materials and, provided that they are approved by Slumberland, disseminate these materials via print, radio, digital, or television. You must provide Slumberland with monthly reports of your local or regional advertising expenditures by the 15th day of each month.

4. Slumberland administers a system-wide marketing program. Slumberland currently collects a Brand Development Fee equal to 1% of Gross Revenues. Slumberland may charge up to 2% of your monthly Gross Revenues. Slumberland will not increase this fee more than .5% in a single calendar year, and will give you at least 90 days' notice of any increase. Slumberland will credit the Brand Development Fee towards your Local Advertising Expenditures. Slumberland will use the Brand Development Fee to develop and implement a marketing program, including expenses related to: (a) the ecommerce platform; (b) marketing production; (c) mass digital media; (d) development, maintenance, and operation of the Slumberland® website; (e) future forms of electronic, Internet-based, and other marketing or promotional tools or programs; and (f) the reasonable costs of implementing the marketing program. Slumberland will contribute to the marketing program for all Slumberland® stores that it operates in the United States, as a group, at the same percentage as a majority of Slumberland® franchisees must contribute to the marketing program. Each new Slumberland® franchisee must contribute to the marketing program. Slumberland has no fiduciary obligations regarding the Brand Development Fee. Slumberland cannot ensure that any individual franchisee will benefit directly or on a pro rata basis from any such activity conducted through the marketing program. Slumberland may spend in any fiscal year an amount greater or less than the aggregate contributions of Slumberland® businesses in that year. Slumberland will determine the strategy, content, implementation and other aspects of the marketing program, but Slumberland will schedule a meeting with interested Slumberland® franchisees at least once each calendar year to evaluate the marketing program and to seek advice from the Slumberland® franchisees on the effectiveness of the marketing program. Brand Development Fees will not be used for advertising principally directed at the sale of franchises.

Paid digital media such as, but not limited to, social media advertising, search engine marketing, display advertising, online video and CTV (Connected TV) is not currently part of the marketing program and you must purchase digital media from a Slumberland approved agency vendor.

At your request, we will provide you with an annual unaudited summary of the receipts and disbursements of the marketing program for the most recent calendar year. As of December 31, 2025, the Brand Development Fees were spent accordingly: 74% on production, 6% on Digital; and 20% on E-Commerce.

5. From time to time, Slumberland, Inc. conducts marketing campaigns which include television marketing. If Slumberland, Inc. owns and operates a location within the same DMA that your Franchised Location is located, you may benefit from the television and other marketing campaigns Slumberland, Inc. conducts. Therefore, if Slumberland, Inc. owns and operates a location within the same DMA that your Franchised Location is located, you must pay Slumberland, Inc. a monthly Regional Advertising Fee in an amount equal to Franchisee's *pro rata* share of all costs Slumberland, Inc. incurs for any regional advertising and promotion as described in Item 6. If Slumberland, Inc. incurred any expenses in the preceding month on any advertising and promotional costs in the DMA, Slumberland will invoice you each month for your *pro rata* share. Slumberland will credit the Regional Advertising Fee towards your Local Advertising Expenditure, and you will not pay Slumberland, Inc. any part of the your *pro rata* share that exceeds 2% of your monthly Gross Revenues on local or regional advertising.

6. Access to all supplements and modifications to the Operations Modules (see Article 9.6 of the Franchise Agreement).

7. A Slumberland® Website to advertise and promote Slumberland® Businesses (see Article 9.19 of the Franchise Agreement).

8. An e-mail address for your Business (see Article 9.21 of the Franchise Agreement).

9. A list of the names and addresses of the new suppliers (see Articles 19.23 and 19.24 of the Franchise Agreement).

10. Periodic reviews and evaluations of your Business as often as deemed necessary by Slumberland and written reports if deemed appropriate by Slumberland (see Article 9.11 of the Franchise Agreement).

Although not contractually obligated to do so, it is Slumberland's current policy to provide post-opening training at the Franchised Location for up to 100 hours within 90 days after you open a Slumberland® Business at no additional cost to you. Slumberland, Inc. will determine the timing, content, location and duration of this post-opening training. Any additional post-opening training and assistance for your Business will be provided by Slumberland, Inc. at the then-current hourly rate charged by Slumberland, Inc., which is currently $300 per day plus expenses (see Item 6).

12. TERRITORY

You will operate your Business at a "Franchised Location." You receive a "Protected Area" only to the extent that Slumberland and Slumberland, Inc. will not open other company-owned or franchised Slumberland® Businesses within a 5-mile radius of your Franchised Location if your Franchised Location is located in an area with at least 40,000 households ("Major Market"), or within a 10-mile radius of your Franchised Location if your Franchised Location is located in an area with less than 40,000 households ("Minor Market"). However, we and Slumberland, Inc. have the right to: (a) operate and grant others the right to operate Slumberland® Businesses at locations outside the Protected Area; (b) directly or indirectly sell products and services authorized for sale at Slumberland® Businesses under trademarks or service marks other than the marks through similar or dissimilar channels of distribution; and (c) directly or indirectly solicit or accept orders for products or merchandise under the name "Slumberland®" or another brand name or trademark we or Slumberland, Inc. develops to persons, businesses or entities that are not franchisees through the use of other channels of wholesale

or retail distribution, including e-commerce on the Internet, catalog sales, telemarketing and other marketing sales methods anywhere in the world, including within your Protected Area, and have done so under the "Slumberland®" name via the Internet as disclosed below. We do not have to compensate you if it exercises these rights. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You will only sell products and merchandise on a retail basis at the Franchised Location, and will not sell any products or merchandise under the Marks or the Business System (1) on a wholesale basis, (2) on a retail basis at or from any other location other than the Franchised Location, (3) by means of the Internet, catalogue sales, mail order sales, infomercials or telemarketing, or (4) by any other channels, means or methods of sales or distribution. You are not restricted from soliciting or accepting orders from customers located outside of your Protected Area, and we and our franchisees are not restricted from soliciting or accepting orders from customers located in your Protected Area. However, you will comply with Slumberland's then-current policy regarding sales originated by your Slumberland® Business to customers located in or near the territories of other Slumberland® Businesses. You will also comply with the then-current policy regarding sales originated via the Slumberland® Website if the order is filled by you. You must comply with our website and ecommerce participation requirements described in the Operations Modules. You have no option, right of first refusal or other right pursuant to the Franchise Agreement to purchase any additional Slumberland® franchises.

Continuation of your Protected Area does not depend on the achievement of a certain sales volume, market penetration or other contingency. Your Protected Area will not be altered unless you relocate your Franchised Location. You may relocate your Franchised Location only with the prior written approval of Slumberland. Your new Franchised Location must comply with Slumberland's then-current standards and specifications and must not be located within the applicable radius of an existing Slumberland® Business.

If you enter into an Area Development Agreement with us, you will receive the right to develop and operate Slumberland® Businesses in a specified geographic "Territory." The Territory typically consists of one or more cities or market areas and will be delineated by specifying the streets or highways, or the county lines, which form the boundaries of the Territory. Before you sign the Area Development Agreement, a description of the Territory will be placed in the Area Development Agreement and a map of the Territory may also be attached. The size of the Territory and the number of Slumberland® Businesses you will develop within the Territory are determined by the number of households in the Territory and its market potential, taking into account demographics, economics, the business climate, competition and other relevant factors. Your Territory may not be altered or relocated during the term of the Area Development Agreement. You must meet the development schedule in the Area Development Agreement or you will lose your right to continue to develop Slumberland® Businesses in the Territory. After the expiration of the Area Development Agreement, you will have a one-year right of first refusal to open any additional Slumberland® Businesses in your Territory. Otherwise, the Area Development Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional development rights in your Territory or contiguous areas.

If you sign an Area Development Agreement, we will not franchise, license, develop, own or operate another Slumberland® Business in your Territory. However, we have the absolute right to: (1) develop other business concepts under other brand names and trademarks even if the locations for the concept are within your Territory, and (2) market, distribute and sell, on a wholesale or retail basis merchandise, goods and services under any of the Marks, by direct sale, distributors, the Internet, mail order, infomercials, telemarketing or by any other marketing or distribution method, even if the sales are made by distributors or retailers who are located in your Territory. Slumberland does not have to pay you if it exercises any of the rights specified above in your Territory.

Neither we nor Slumberland, Inc. currently have any plans to operate or franchise a business under a different brand name or trademark that sells similar goods or services.

13. TRADEMARKS

You are licensed to operate your Business under the name "Slumberland®". You are also authorized to use the logos which appear on the cover page of this Franchise Disclosure Document. You may only use the Marks in the manner authorized in writing by Slumberland.

Slumberland, Inc. has registered on the Principal Register of the United States Patent and Trademark Office (the "PTO") the following principal service marks:

Mark	Registration No.	Registration Date
SLUMBERLAND	4,739,125	May 19, 2015
SLUMBERLAND FURNITURE	2,247,003	May 25, 1999
SLUMBERCREST	5,967,018	January 21, 2020
IT'S A GOOD LIFE.	4,787,432	August 4, 2015
DESIGN YOUR WAY 	6,374,590	June 1, 2021
SLUMBERLAND	7,699,268	February 18, 2025
Slumbercare	7,878,287	August 5, 2025

Slumberland, Inc. has filed all required affidavits and renewals for the registration of the service marks listed above.

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

Slumberland, Inc. has granted us the right to use and license the current and future Marks pursuant to a Trademark License Agreement, dated May 7, 2007. The Trademark License Agreement is for a perpetual term unless terminated by mutual agreement of the parties or if we fail to cure a material breach within 60 days after receipt of written notice from Slumberland, Inc. Otherwise, there are no agreements currently in effect which significantly limit the rights of Slumberland to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to you.

To our knowledge, there are no infringing uses which could materially affect your use of the licensed Marks or other related rights in any state. You are required to provide us with written notice of any claims made against or associated with the Marks. We are obligated under the Franchise Agreement to protect your right to use the Marks and other related rights and to protect you against claims of infringement and unfair competition with respect to the Marks. However, if anyone establishes to our satisfaction that its rights are, for any legal reason, superior to any of the Marks, then you are required

to use such variances or other service marks, trademarks or trade names as we require to avoid conflict with such superior rights.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Although we have not filed applications for copyright registrations, We claim copyrights for our advertising materials, the Operations Modules and other written materials. We will protect your right to use copyrighted materials. There are no administrative or legal proceedings or determinations that are likely to adversely affect your use of copyrighted materials, and there are no agreements in effect limiting our right to use or license the use of copyrighted materials.

To our knowledge, there are no potentially infringing uses of copyrighted materials which could materially affect your use of these materials. You should promptly notify us if you learn of any unauthorized use of copyrighted or proprietary materials. We will take the actions that it determines are appropriate. If anyone establishes that its rights to these materials are superior to ours, you must modify or discontinue your use of these materials as required by us.

You must maintain the confidentiality of the Operations Modules, any supplements to the Operations Modules and any other manuals or materials, whether in print form or an electronic medium, used in your Business. The Operations Modules contains information regarding the Business System. We consider this information a trade secret and extremely confidential. You must use all reasonable means to keep this information confidential and prevent any unauthorized copy, duplication, record or reproduction of this information. Your employees must sign confidentiality agreements which will require them to keep confidential, both during and after their employment, all information designated by us as confidential and proprietary. No patents are material to the Franchise.

You and your employees may not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("Generative AI"), while operating the Franchise. This includes, but is not limited to, uploading or sharing any confidential information with any third-party platforms, including Generative AI, except as authorized in writing by us.

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

You are not required to participate in the operation of your Business. However, your Business must be managed by a Manager who has successfully completed Slumberland's training program. Your Manager is not required to have an equity interest in your Business. Your Manager and all other employees who will have access to the Operations Modules will each be required to sign a written agreement and keep confidential, both during and after their employment, all information we designate as confidential and proprietary.

If the Franchisee is not an individual, you must personally guarantee all of your obligations to us pursuant to the Franchise Agreement. You must also promise in writing that during the term of each agreement that you will not participate in any business that is in any way competitive with the Business, and that for one year after the expiration or termination of the Franchise Agreement, you will not participate in any competitive business located within five miles of the Franchised Location or any Slumberland® Business if your Business is located in a Major Market, within 10 miles of the Franchised Location or any Slumberland® Business if your Business is located in a Minor Market, or within any exclusive territory granted by Slumberland.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell the furniture, merchandise, products and services ("goods and services") specified or approved in the Operations Modules, or as otherwise authorized by us in writing. You must obtain our written approval in accordance with the Operations Modules before you sell, offer or use any unapproved Products and Services. You must sell all goods and services authorized by us. We have the right, without any limitation, to change the authorized goods and services sold by Slumberland® Businesses. You are not limited to whom you may sell your goods and services.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreements. You should read these provisions in the Franchise Agreements attached to this Disclosure Document.

	Provision	Article in Franchise Agreement	Summary
a.	Length of franchise term	Articles 2.1 and 2.2	15 years, unless the term of the lease for the Franchised Location is longer than 15 years, then the term of the Franchise Agreement will be automatically extended to coincide with the term of the lease for the Franchised Location.
b.	Renewal or extension of the term	Article 2.3	Term of then-current standard Franchise Agreement.
c.	Requirements for franchisee to renew or extend	Article 2.3	You can reacquire the Franchise if you give Slumberland at least 180 days' notice; you have complied with all material terms and conditions of the Franchise Agreement and material operating and quality standards and procedures; you have satisfied all monetary obligations owed; you agree to make reasonable capital expenditures necessary to remodel, modernize and redecorate the Franchised Location, and to replace and modernize the furniture, fixtures, supplies and equipment used in the Business; you have the right to occupy the Franchised Location; you agree to execute and comply with the then-current standard Franchise Agreement; and you sign a general release of claims. If you reacquire the Franchise at the end of the term of the Franchise Agreement, you will sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	Article 15	
e.	Termination by franchisor without cause	None	

	Provision	Article in Franchise Agreement	Summary
f.	Termination by franchisor with cause	Article 16	If you breach the Franchise Agreement. In addition, termination of the Franchise Agreement permits Slumberland to also terminate the Area Development Agreement.
g.	"Cause" defined - curable defaults	Articles 16.1	You will have 30 days to cure: a failure to commence your Business within one year after signing the Franchise Agreement; a violation of any provision of the Franchise Agreement; your conviction of any law relating to your Business or a felony; a failure to conform to the Business System; a failure to pay any uncontested fee to anyone; a determination that you are insolvent; an assignment made by you for the benefit of creditors; any check issued by you which is dishonored; a failure to pay for leasehold improvements or furniture, fixtures, merchandise, supplies and equipment before commencing business; you abandon the Franchised Location; any conduct which materially impairs the Marks or Business System; or you lose possession of the Franchised Location. You have 15 days to cure a failure to pay any amount due to us or our Affiliates or Supplier. You have 24 hours to cure violations of federal, state or local laws. In addition, termination of the Franchise Agreement permits Slumberland to also terminate the Area Development Agreement.
h.	"Cause" defined – non-curable defaults	Articles 16.3	You operate your Business in a manner that threatens public health and safety; you are convicted of any law relating to your Business or a felony; you are deemed insolvent; you make an assignment for the benefit of creditors; you abandon your Business; or your conduct materially impairs the Marks or Business System and you fail to correct your breach within 24 hours; you or your Owners make material misrepresentations on the franchise application; you fail to comply with one or more material requirements on three separate occasions within 12 months, or the nature of the breach makes it not curable or you willfully deceive customers. In addition, termination of the Franchise Agreement permits Slumberland to also terminate the Area Development Agreement.

	Provision	Article in Franchise Agreement	Summary
i.	Franchisee's obligations on termination/nonrenewal	Article 17	You must cease to be a franchisee and cease to operate under the Business System; pay all sums and fees owing to Slumberland; return to Slumberland the Operations Modules and all advertising and other written materials, equipment and other property; inform your suppliers that you are no longer a franchisee; cease to use in advertising, or in any manner whatsoever, the Marks, any methods, procedures or techniques associated with the Business System or the Marks and remove all trade dress and other indications of operation under the Business System from the Franchised Location; and transfer all rights to telephone numbers and directory listings to Slumberland.
j.	Assignment of contract by franchisor	Article 14.1	No restriction on Slumberland's right to assign.
k.	"Transfer" by franchisee - defined	Articles 14.2-14.5 and 26.4	Any transfer or sale of the franchise business, interest in you, or the Business' assets.
l.	Franchisor's approval of transfer by franchisee	Article 14.4	Slumberland has the right to approve any transfer made by you but will not unreasonably withhold its consent.
m.	Conditions for franchisor's approval of transfer	Article 14.4	Comply with Slumberland's right of first refusal; pay all money owed to Slumberland; complete a written agreement between you and Slumberland agreeing to observe all post-term obligations; transferee does not and will not participate in any competitive business; transferee meets Slumberland's standards; transferee signs Franchise Agreement and other documents required by Slumberland; sign a release of claims; transferee and transferee's Manager complete training program; transferee has acquired the right to occupy the Franchised Location; and you pay the transfer fee.
n.	Franchisor's right of first refusal to acquire franchisee's business	Article 14.8	You must first offer the sale of your Business to Slumberland before selling to anyone else.
o.	Franchisor's option to purchase franchisee's business	Article 17.4	If your Franchise Agreement is terminated or expires, Slumberland may purchase your Franchise Assets.

	Provision	Article in Franchise Agreement	Summary
p.	Death or disability of franchisee	Article 14.3	If you are an individual, your Franchise Agreement may be transferred to your beneficiary without first being offered to Slumberland or paying a transfer fee to Slumberland.
q.	Noncompetition covenants during the term of the franchise	Article 13.1	You may not participate in any competitive business.
r.	Noncompetition covenants after the franchise is terminated or expires	Article 13.2	You may not participate in any competitive business that is within the territory of your Business or any other Business, or within any other exclusive territory granted by Slumberland for one year after the termination of your Franchise Agreement.
s.	Modification of the agreement	Article 21.12	Only by written agreement between you and Slumberland.
t.	Integration/merger clause	Article 21.9	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this any related agreement is intended to disclaim the express representations made in this Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	Articles 20	Except for certain claims, all disputes must be submitted to nonbinding mediation and then arbitrated in St. Paul, Minnesota.
v.	Choice of forum	Article 21.6	Litigation must be in Minnesota (subject to applicable state law).
w.	Choice of law	Article 25.1	Governing law will be the law of the state in which your Business is located (subject to applicable state law).

This table lists certain important provisions of the Area Development Agreement. You should read these provisions in the Area Development Agreement attached to this Franchise Disclosure Document.

	Provision	Article in Area Development Agreement	Summary
a.	Length of the term	Article 2.1	To be determined by the parties
b.	Renewal or extension of the term	Article 2.2	For one year after expiration of the Area Development Agreement, you have a right of first refusal to develop additional Slumberland® Businesses in the Territory.

	Provision	Article in Area Development Agreement	Summary
c.	Requirements for Area Developer to renew or extend	Article 2.2	You have 30 days after receipt of the written offer from Slumberland to accept the offer to further develop the Territory.
d.	Termination by Area Developer	None	
e.	Termination by franchisor without cause	None	
f.	Termination by franchisor with cause	Article 6	If you breach the Area Development Agreement. In addition, termination of the Area Development Agreement does not permit Slumberland to also terminate the Franchise Agreement.
g.	"Cause" defined – curable defaults	Articles 6.1 and 6.2	You will have 30 days to cure if you: fail to comply with the development schedule in the Area Development Agreement; violate any material provision of the Area Development Agreement; are convicted of or plead guilty or no contest to any law adversely affecting your Slumberland® Businesses; fail to pay any fees or expenses due to Slumberland or third parties; are deemed to be insolvent; make an assignment for the benefit of creditors; issue any check which is dishonored for insufficient funds; materially impair the Marks or the Business System; any Franchise Agreement between you and Slumberland is terminated for any reason. You have 15 days to cure a failure to pay any fees due. In addition, termination of the Area Development Agreement does not permit Slumberland to also terminate the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	Article 6.3	Slumberland has the right (subject to applicable state law) to terminate the Area Development Agreement immediately upon notice if you: fail to comply with the development schedule in the Area Development Agreement; are convicted of or plead guilty or no contest to any law adversely affecting your Slumberland® Businesses; are deemed insolvent; make an assignment for the benefit of creditors; or materially impair the Marks or the Business System. You fail to comply with one or more material requirements in a 12 month period, the nature of the breach makes it non-curable, willfully deceive customers or falsified information on your franchise application. In addition, termination of the Area Development Agreement does not permit Slumberland to also terminate the Franchise Agreement.

	Provision	Article in Area Development Agreement	Summary
i.	Area developer's obligations on termination/nonrenewal	Article 7	Your rights under the Area Development Agreement revert to Slumberland; you must continue to operate Businesses you opened before termination of the Area Development Agreement.
j.	Assignment of the contract by franchisor	Article 10.1	No restriction on Slumberland's right to assign.
k.	"Transfer" by area developer – defined	Articles 10.2-10.5	Transfer of the Businesses, the Agreement, ownership interests in you or the assets.
l.	Franchisor's approval of transfer by area developer	Article 10.4	Slumberland has the right to approve any transfer made by you but will not unreasonably withhold its consent.
m.	Conditions for franchisor's approval of transfer	Article 10.4	Comply with Slumberland's right of first refusal; pay all money owed to Slumberland; complete a written agreement between you and Slumberland agreeing to observe all post-term obligations; transferee does not and will not participate in any business that is competitive with a Slumberland® Business; transferee meets Slumberland's standards; transferee signs Area Development Agreement and other documents required by Slumberland; sign a release of claims; pay transfer fee.
n.	Franchisor's right of first refusal to acquire area developer's business	Article 10.6	You must first offer the sale of your franchise, Businesses, the Agreement or you to Slumberland before selling to anyone else.
o.	Franchisor's option to purchase area developer's business	None	
p.	Death or disability of area developer	Article 10.3	If you are an individual, your Area Development Agreement may be transferred to your beneficiary without first being offered to Slumberland or paying a transfer fee to Slumberland.
q.	Noncompetition covenants during the term of the contract	Article 8.1	You may not participate in any business that is in any way competitive with a Slumberland® Business.
r.	Noncompetition covenants after the contract is terminated or expires	Article 8.2	You may not participate in any competitive business that is within the Territory, within the protected area of any other Business on or within any exclusive territory granted by Slumberland for one year after the termination.
s.	Modification of the agreement	Article 12.13	Only by written agreement between you and Slumberland.

	Provision	Article in Area Development Agreement	Summary
t.	Integration/merger clause	Article 12.10	Only the terms of the Area Development Agreement are binding (subject to state law). Any representation or promises outside of the disclosure document and Area Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this any related agreement is intended to disclaim the express representations made in this Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	Article 11	Except for certain claims, all disputes must be submitted to nonbinding mediation and then arbitrated in St. Paul, Minnesota.
v.	Choice of forum	Article 12.7	Litigation must be in Minnesota (subject to applicable state law).
w.	Choice of law	Article 16.1	Governing law will be the law of the state in which your Territory is located (subject to applicable state law).

18. PUBLIC FIGURES

Slumberland does not use any public figure to promote its franchise. No public figure is involved in the management of Slumberland.

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 Item 19 of the Franchise Disclosure Document. Financial performance information that differs from that included in this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet that you are considering buying; or (2) a franchisor supplements the information provided in this Item, for example, by providing information about possible performance at a particular location or under particular circumstances.

We provide prospective Slumberland® franchisees with the information contained in this Item about the average Gross Revenues of franchised Slumberland® Businesses. A new franchisee's individual financial results may differ from the information contained in this Item.

The information in this Item was compiled from the 65 franchised Slumberland® Businesses open for the entire calendar year ended December 31, 2025. The information from the 65 franchised Slumberland® Businesses includes information from affiliated Outlet Centers, but does not include 1 Outlet Center that operates as a stand-alone location that is combined with its stand-alone retail store in the same city. The information includes franchised Slumberland® Businesses located in the states of Illinois, Iowa, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming (see Item 20). Slumberland's auditors have not performed any procedures on the financial information in this Item, and assume no responsibility for the information.

The franchised Slumberland® Businesses included in the analysis offer substantially similar products and services to their customers. None of the Slumberland® franchisees have received any services

and assistance that are not available to all other franchisees and new franchisees are offered substantially the same services and assistance. However, the amount of annual Gross Revenues generated by Slumberland® Businesses differs, depending upon a variety of factors. In particular, the Gross Revenues of your Slumberland® Business will be directly affected by the geographic area of the country; general economic conditions; general business climate; customer demographics, including average household income; population growth; location of the Slumberland® Business; competition; pricing policies; advertising expenditures; and other economic and business factors.

We require our franchisees to maintain accurate accountings of their Gross Revenues. We do not know if the accounting records of our franchisees are prepared in accordance with generally accepted accounting principles. The franchisees' financial statements and Gross Revenues records are not audited or verified by either Slumberland or its outside certified public accountants.

The following charts show the average Gross Revenues of 65 Slumberland® franchisees for the 2025 calendar year. We derive these figures from the Gross Revenues reports of the Slumberland® franchisees that have been in business for the entire year and that provided Gross Revenues reports for the entire year.

Gross Revenues for Franchised Slumberland® Businesses
For Fiscal Year Ended December 31, 2025

Household Range	Businesses	High	Low	Average	Median	Exceeds Average
under 5,000	2	$1,591,330	$913,113	$1,252,222	$1,252,222	1 (50%)
5,000 - 7,500	10	$4,347,992	$1,417,019	$2,217,563	$1,946,626	3 (30%)
7,500 - 10,000	6	$3,614,570	$1,706,531	$2,776,327	$2,832,494	3 (50%)
10,000 - 12,500	9	$4,983,457	$1,576,328	$3,123,570	$3,201,786	5 (56%)
12,500 - 15,000	10	$6,043,170	$1,481,385	$2,770,407	$2,664,626	3 (30%)
15,000 - 20,000	7	$5,046,456	$2,350,659	$3,586,347	$3,765,717	4 (57%)
20,000 - 30,000	6	$5,488,510	$2,310,694	$3,702,022	$3,552,598	3 (50%)
30,000 - 40,000	3	$3,802,016	$3,553,184	$3,703,207	$3,754,422	2 (67%)
40,000 - 50,000	4	$4,886,583	$2,899,705	$3,739,442	$3,585,739	2 (50%)
50,000 +	8	$5,942,395	$3,684,600	$4,765,192	$4,791,405	4 (50%)

Gross Revenues for Franchised Slumberland® Businesses
For the Fiscal Year Ended December 31, 2025

Number of Businesses	Range of Gross Revenues		Average Gross Revenues Per Franchised Business	Number (and Percentage) Who Met or Exceed Average	Median Gross Revenues
	High	Low			
65	$6,043,170	$913,113	$3,210,150	30 (46%)	$3,143,176

This information is provided as reference information only for your use with other information. We recommend that prospective franchisees make their own independent investigation of profitability, and consult with an attorney and other advisors before executing the Franchise Agreement. You should consult with your financial, business, tax, accounting and legal advisors about the information contained in this Item.

Of the 65 Slumberland® Businesses that were open for the entire calendar year ended December 31, 2025, 63 Slumberland® Businesses provided us with certain expense information and percentages related to operation of their Slumberland® Businesses, and such information is included in the tables below.

We have divided the 65 Slumberland® Businesses included in the table below into 4 groups based on the Gross Revenues of the Slumberland® Businesses. Group 1 includes information from 14 Slumberland® Businesses that had less than $2,000,000 in Gross Revenues for the entire calendar year ended December 31, 2025. Group 2 includes information from 16 Slumberland® Businesses that had between $2,000,000 and $3,000,000 in Gross Revenues for the entire calendar year ended December 31, 2025. Group 3 includes information from 19 Slumberland® Businesses that had between $3,000,000 and $4,000,000 in Gross Revenues for the entire calendar year ended December 31, 2025. Group 4 includes information from 16 Slumberland® Businesses that had over $4,000,000 in Gross Revenues for the entire calendar year ended December 31, 2025.

In a few instances, not all the Slumberland® Businesses in the groups provided us with the information that we needed to report the data for a particular expense category. In those instances, we did not include that Slumberland® Business' information in that expense category. For example, of the 16 Slumberland® Businesses in Group 2, only 15 provided information for Average Commissions Paid as a Percentage of Gross Revenue. Therefore, we calculated Average Commissions Paid as a Percentage of Gross Revenue based on the 15 Slumberland® Businesses that reported for that category. For each category below, we have included the total number of Slumberland® Businesses included in the calculation.

	Group 1	**Group 2**	**Group 3**	**Group 4**
Average Gross Revenue[(1)] [(9)]	$1,636,507	$2,478,212	$3,546,956	$4,919,068
Number of Businesses Included	14	16	19	16
Average Advertising Expense as a Percentage of Gross Revenue[(2)]	6.4%	6.4%	6.5%	5.5%
Number of Businesses Included	14	15	18	16
Average Delivery Income as Percentage of Gross Revenue	2.8%	2.8%	2.7%	2.7%
Number of Businesses Included	14	16	19	16
Average Commissions Paid as a Percentage of Gross Revenue[(3)]	5.7%	6.3%	5.6%	5.8%
Number of Businesses Included	14	15	18	16
Average of Square Feet of	22,804	27,161	28,444	35,079

Showroom[4]				
Number of Businesses Included	14	15	19	16
Average Gross Margin as a Percentage of Gross Revenue[5] [10]	44.2%	46.4%	46.2%	45.5%
Number of Businesses Included	14	16	19	16
Average Net Profit as a Percentage of Gross Revenue[6] (11)	1.0%	5.7%	6.4%	6.5%
Number of Businesses Included	14	15	18	16
Average Rent Expenses as a Percentage of Gross Revenue[7]	5.7%	4.5%	5.8%	5.7%
Number of Businesses Included	14	15	18	16
Average of Occupancy Costs as a Percentage of Gross Revenue[8]	4.1%	3.9%	2.6%	3.0%
Number of Businesses Included	14	15	18	16

*The data excludes one Slumberland outlet location that operates as a standalone location.

Footnotes:
(1) "Gross Revenues" include the total dollar income from all sales from the Slumberland® Business including Delivery Income. It does not include sales, use or gross receipt taxes.

(2) "Advertising" includes the cost of television, radio, direct mail, public relations, print, internet and yellow page advertising.

(3) "Commissions" include all amounts paid to employees that were based on a percentage of products sold. It does not include these employees' base salaries or any benefits or taxes.

(4) The showroom includes the area of the Slumberland® Business premises that is open to the public and is used primarily to show products.

(5) "Gross Margin" is calculated by taking the Gross Revenues and subtracting the cost of goods sold. The cost of goods sold includes the costs of the products and inventory shrinkage, freight and warranty. The cost of goods sold does not include delivery expenses. Gross Margin does not reflect any expenses related to Slumberland® Business operations other than the costs of goods sold.

(6) "Net Profit" is calculated by taking the Gross Revenues and subtracting all expenses of the Slumberland® Business before taxes, including the cost of goods sold, advertising, commissions, finance fees, depreciation, insurance, office supplies, rent, royalties, salaries, benefits and all other occupancy, delivery and administrative expenses. In some instances, franchisees have taken salaries for themselves and included those salaries as expenses. In other instances, franchisees have not taken salaries for themselves.

(7) The square feet of the Slumberland® Businesses included in the table above ranged from 15,858 to 53,252 square feet. The rental expenses the Slumberland® Businesses included in the table above ranged from $2.10 to $13.85 per square foot.

(8) "Other Occupancy Costs as a Percentage of Gross Revenue" is calculated by taking the Other

Occupancy Costs and dividing by the Gross Revenue. Other Occupancy Costs include all expenses related to the Slumberland® Business premises, such as real estate taxes, utilities, repair and maintenances fees, but excluding rent.

(9) The following information supplements that Gross Revenue Information provided above:

Group Number	Number of Businesses	Range of Gross Revenues			Number (and Percentage) Who Met or Exceeded Average
		High	Median	Low	
1	14	$1,975,689	$1,648,931	$913,113	7 (50%)
2	16	$2,758,651	$2,502,383	$2,036,858	6 (38%)
3	19	$3,984,477	$3,614,570	$3,132,207	12 (63%)
4	16	$6,043,169	$4,869,175	$4,032,362	7 (44%)

(10) The following information supplements that Gross Margin Information provided above:

Group Number	Number of Businesses	Median Gross Margin % of Gross Revenue			Number (and Percentage) Who Met or Exceeded Average
		High	Median	Low	
1	14	48.0%	43.7%	41.2%	4 (29%)
2	16	48.6%	45.6%	43.0%	4 (25%)
3	19	54.2%	46.1%	41.4%	8 (42%)
4	16	49.1%	46.1%	42.0%	9 (56%)

(11) The following information supplements that Net Profit Information provided above:

Group Number	Number of Businesses	Range of Net Profit % of Gross Revenue			Number (and Percentage) Who Met or Exceeded Average
		High	Median	Low	
1	14	7.6%	1.8%	-9.7%	8 (57%)
2	15	17.6%	3.5%	-4.3%	9 (60%)
3	18	20.0%	5.4%	-0.1%	7 (39%)
4	16	21.4%	5.3%	0.8%	7 (44%)

Your success will depend largely on your business and management ability and other business and economic factors indicated above, and your individual financial results will differ from the information contained in this Item.

Some franchisees have earned this amount. There is no assurance you will do as well. If you rely upon our figure, you must accept the risk of not doing as well.

Slumberland will provide written substantiation of the data used to prepare the information contained in this Item upon receipt of a reasonable written request from you.

Other than the preceding financial performance representations, Slumberland does not make any financial performance representations. Slumberland also does not authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, Slumberland 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 Slumberland's management by contacting Mr. Josh Priniski, Vice President Franchising, Inc., 3505 High Point Dr. No., Building #2, Oakdale, Minnesota 55128, telephone: (651) 787-7323, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
Systemwide Outlet Summary
For Fiscal Years 2023/2024(1)/2025

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2023	71	70	-1
	2024	70	71	+1
	2025	71	68	-3
Company-Owned	2023	53	52	-1
	2024	52	48	-4
	2025	48	51	+3
Total Outlets	2023	124	122	-2
	2024	122	119	-3
	2025	119	119	0

(1) As of December 31, 2025, there were 68 franchised Slumberland® Businesses that operated in 67 locations. 1 of the 68 locations is a stand-alone Outlet Center that is part of a Slumberland® Business (1 in South Dakota). See Exhibit B.

TABLE NO. 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor or Affiliate)
For Fiscal Years 2023/2024/2025

State	Year	Number of Transfers
Iowa	2023	0
	2024	0
	2025	1
Minnesota	2023	0
	2024	0
	2025	3
Missouri	2023	1
	2024	0
	2025	0
North Dakota	2023	1
	2024	0
	2025	0

State	Year	Number of Transfers
South Dakota	2023	0
	2024	0
	2025	0
Wisconsin	2023	3
	2024	0
	2025	2
Totals	2023	5
	2024	0
	2025	6

TABLE NO. 3
Status of Franchised Outlets
For Fiscal Years 2023/2024(1)/2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Illinois	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	1	0	0	4
Iowa	2023	11	0	0	1	0	0	10
	2024	10	1	0	0	0	0	11
	2025	11	0	0	0	1	0	10
Michigan	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Minnesota	2023	20	0	0	0	0	0	20
	2024	20	0	0	0	0	0	20
	2025	20	0	0	0	0	0	20
Missouri	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Montana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Nebraska	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	1	0	3
North Dakota	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
South Dakota	2023	7	0	0	0	0	0	7
	2024	7	1	0	0	0	0	8
	2025	8	0	0	0	0	0	8
Wisconsin	2023	14	0	0	0	0	0	14
	2024	14	0	0	0	1	0	13
	2025	13	0	0	0	0	0	13
Wyoming	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Totals	2023	71	0	0	1	0	0	70
	2024	70	2	0	0	1	0	71
	2025	71	0	0	1	2	0	68

(1) As of December 31, 2025, there were 68 franchised Slumberland® Businesses that operated in 67 locations. 1 of the 68 locations is a stand-alone Outlet Center that is part of a Slumberland® Business (1 in South Dakota). See Exhibit B.

TABLE NO. 4
Status of Company-Owned Outlets
For Fiscal Years 2023/2024/2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2023	7	0	0	0	0	7
	2024	7	0	0	1	0	6
	2025	6	0	0	0	0	0
Iowa	2023	7	0	0	0	0	7
	2024	7	0	0	0	1	6
	2025	6	0	1	0	0	7
Kansas	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Michigan	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Minnesota	2023	20	0	0	0	0	20
	2024	20	0	0	1	0	19
	2025	19	0	0	0	0	19
Missouri	2023	5	0	0	1	0	4
	2024	4	0	0	1	0	3
	2025	3	1	0	0	0	3
Nebraska	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	1	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
North Dakota	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
South Dakota	2023	3	0	0	0	0	3
	2024	3	0	0	0	1	2
	2025	2	0	0	0	0	2
Wisconsin	2023	5	0	0	0	0	5
	2024	5	0	1	0	0	6
	2025	6	0	0	0	0	6
Totals	2023	53	0	0	1	0	52
	2024	52	0	1	3	2	48
	2025	48	1	2	0	0	51

TABLE NO. 5
Projected Slumberland® Business Openings
As of December 31, 2025

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Totals	0	0	2

A list of the names, addresses and telephone numbers of the franchised Slumberland® Businesses as of December 31, 2025 (including stand-alone Outlet Centers), is attached as Exhibit B.

Except as described on Exhibit B, no franchisees were terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the last fiscal year (including through a transfer), or had not communicated with Slumberland within the 10-week period before the date of this Franchise Disclosure Document.

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

No existing franchised outlets are currently being offered for sale by Slumberland.

During the last three fiscal years, no current or former franchisees have signed any confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the franchise system.

There are no trademark-specific franchisee associations, either created, sponsored or endorsed by Slumberland, or independent franchisee associations.

21. FINANCIAL STATEMENTS

Attached as Exhibit A is the audited Financial Statements for Slumberland as of December 31, 2025 and 2024, and for the years ended December 31, 2025, 2024 and 2023.

22. CONTRACTS

Exhibit C is the Slumberland® Franchise Agreement. Exhibit D is the Addendum to Slumberland® Franchise Agreement for Outlet Center. Exhibit E is the Slumberland® Area Development Agreement. Exhibit F are the Financing Documents. Exhibit G is the Franchisee Questionnaire.

23. RECEIPTS

The last two pages of this Franchise Disclosure Document are detachable Receipts.

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A: FINANCIAL STATEMENTS

WIPFLI

Slumberland Franchising, Inc.

Financial Statements

As of December 31, 2025 and 2024, and for the
Years Ended December 31, 2025, 2024, and 2023

WIPFLI

Independent Auditor's Report

Board of Directors
Slumberland Franchising, Inc.
Oakdale, Minnesota

Opinion

We have audited the accompanying financial statements (the ''financial statements'') of Slumberland Franchising, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income and retained earnings, and cash flows for the years ended December 31, 2025, 2024, and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Slumberland Franchising, Inc. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years ended December 31, 2025, 2024, and 2023, in accordance with accounting principles generally accepted in the United States of America (''GAAP'').

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 Slumberland 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 Slumberland Franchising, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

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 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 Slumberland 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 Slumberland 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.

Wipfli LLP

Wipfli LLP

Minneapolis, Minnesota
April 27, 2026

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Slumberland Franchising, Inc.

Balance Sheets

As of December 31,	2025	2024
Assets		
Current assets -		
Franchise fees receivable	$ 569,808	$ 591,008
TOTAL ASSETS	$ 569,808	$ 591,008
Liabilities and Stockholders' Equity		
Current Liabilities -		
Management fee due to Slumberland, Inc.	$ 407,608	$ 428,808
Stockholders' equity:		
Common stock - $0.01 par value:		
Authorized - 20,000,000 shares		
Issued and outstanding - 1,046,444 shares in 2025 and 1,045,544 in 2024	10,465	10,456
Additional paid in capital	139,535	139,544
Retained earnings	12,200	12,200
Total stockholders' equity	162,200	162,200
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 569,808	$ 591,008

See accompanying notes to financial statements.

Slumberland Franchising, Inc.

Statements of Income and Retained Earnings

Years Ended December 31,	2025	2024	2023
Revenue:			
Continuing franchise service fee revenue	$ 6,430,258	$ 6,491,839	$ 6,276,829
Initial franchise and transfer fees	7,500	90,000	-
Finance charges	20,422	23,381	1,646
Total revenue	6,458,180	6,605,220	6,278,475
General and administrative expenses -			
Management fees	6,458,180	6,605,220	6,278,475
Net income	-	-	-
Retained earnings at beginning of year	12,200	12,200	12,200
Retained earnings at end of year	$ 12,200	$ 12,200	$ 12,200

See accompanying notes to financial statements.

Slumberland Franchising, Inc.

Statements of Cash Flows

Years Ended December 31,	2025	2024	2023
Change in cash:			
Cash flows from operating activities:			
Net income	$ -	$ -	$ -
Adjustments to reconcile net income to net cash from operating activities:			
Changes in operating assets and liabilities:			
Franchise fees receivable	21,200	(15,061)	9,700
Management fee due to Slumberland, Inc.	(21,200)	15,061	(9,700)
Net cash from operating activities	-	-	-
Cash at beginning of year	-	-	-
Cash at end of year	$ -	$ -	$ -

See accompanying notes to financial statements.

Slumberland Franchising, Inc.
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Principal Business Activity

Slumberland Franchising, Inc. (the "Company") was incorporated on May 3, 2007. The Company operates the franchise business of Slumberland, Inc., which is a brother/sister corporation, having the same stockholders as the Company.

The following tables present retail outlet information:

Years Ended December 31,	2025	2024	2023
Franchise locations:			
Beginning of year	71	70	71
Franchises issued	-	2	-
Transferred to Slumberland, Inc.	(2)	(1)	-
Franchises closed	(1)	-	(1)
End of year	68	71	70

Years Ended December 31,	2025	2024	2023
Locations operated by Slumberland, Inc.:			
Beginning of year	48	52	53
Stores opened	1	-	-
Transferred from Franchisee	2	1	-
Transferred to Franchisee	-	(2)	-
Stores closed	-	(3)	(1)
End of year	51	48	52

The Company's franchise business includes performance under franchise agreements it has entered into for Slumberland franchises in the Midwest. The franchise agreements grant the franchisees use of the name "Slumberland." Franchisees are required to pay initial and continuing fees for management assistance provided by the Company.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying Financial Statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates and are subject to change in the near term.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Franchise fees consist of initial and continuing service fees. Initial service fees are recognized over the franchise agreement term. Continuing service fees, based on a percentage of the franchisees' sales, are recognized as earned. Expenses relating to franchise fees are expensed as incurred. Franchisees are granted the right to operate a store generally for a period of 10 to 20 years.

The most significant factors impacting the nature, amount and timing of the revenues and cash flows are the overall local economic conditions.

Franchise fee receivables as of December 31, 2025, December 31, 2024 and January 1, 2024, were $569,808, $591,008, and $606,069, respectively.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and comparable state regulations. Under these provisions, the Company does not pay federal or state corporate income taxes on its taxable income (nor is it allowed a net operating loss carryback or carryover as a deduction). Instead, the stockholders report on their personal income tax returns the Company's taxable income (or loss) and tax credits. The Company's income tax returns remain open to review through their respective statutory time periods. The Company is not currently undergoing any tax examinations.

Franchise Fees Receivable

The carrying amount of franchise fee receivables is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. There is no allowance for credit losses as of December 31, 2025 and 2024.

Note 2: Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and franchise fees receivable.

The Company has cash accounts at a financial institution. The balance, at times, may exceed federally insured limits. The Company performs ongoing credit evaluations of the franchisees but generally does not require collateral.

Note 3: Related-Party Transactions

The Company is charged a fee by Slumberland, Inc. for management, accounting, and other services provided. Total management fees incurred were $6,458,180, $6,605,220, and $6,278,475 for the years ended December 31, 2025, 2024, and 2023, respectively. As a result, the Company's results of operations may not be indicative of the results that would have occurred if it operated independently.

Note 4: Commitments and Contingencies

The Company is named in litigation from time to time in the normal course of business. Management believes that as of December 31, 2025, there is no outstanding litigation which would have a material adverse impact on the Company's financial position or results of operations.

Note 5: Subsequent Events

The Company has evaluated subsequent events through April 27, 2026, which is the date the financial statements were available to be issued.

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B: LIST OF CURRENT AND FORMER FRANCHISEES

Slumberland® Franchisees as of December 31, 2025:

ILLINOIS

Oak & Comfort, LLC
165 N. Randall Rd.
Batavia, IL 60510
630-474-7012

AWL, Inc.
305 West South Street
Freeport, IL 61032
(815) 233-2300

Furniture Partners, Inc. (1)
615 Town Center Blvd.
Champaign, IL 61822
(217) 351-1111

Eggleston Furniture, Inc.
222 Broadway East
Mattoon, IL 61938
(217) 317-3141

IOWA

Prenger Furniture & Carpet, Inc.
Highway 30 & Heires Ave.
Carroll, IA 51401
(712) 792-2460

DAV-SLU, Inc. (1)
616 E. Kimberly Rd
Davenport, IA 52807
(563) 388-5777

M-SLU, Inc.
1903 Park Avenue, Suite A002
Muscatine, IA 52761
(563) 263-4200

Sleep EAZY, Inc.
915 South Grand
Spencer, IA 51301
(712) 262-5309

Tomcat Logistics LLC
3150 E Agency St
Burlington, IA 52601
(319) 754-8877

Davis & Davis, Inc. (1)
6607 University Ave
Cedar Falls, IA 50613
(319) 235-0155

IC SLU, Inc.
2300 Jones Blvd.
Coralville, IA 52241
(319) 339-9120

Triple C, Inc. (1)
1791 State Highway 9
Decorah, IA 52101
(563) 387-4500

Sleep Plus, Inc.
3405 5th Ave. S.
Fort Dodge, IA 50501
(515) 955-5800

PJP, Inc. (1)
4401 South York Street
Sioux City, IA 51106
(712) 255-9000

MICHIGAN

Santoni Design, Inc.
1320 Jackson Street
Iron Mountain, MI 49801
(906) 779-2001

MINNESOTA

Albert Lea Furniture, Inc. (1)
822 South Broadway Ave.
Albert Lea, MN 56007
(507) 377-3001

Tollefson Retail Group, Inc. (1)
2510 Highway 29 South
P.O. Box 37
Alexandria, MN 56308
(320) 762-2818

Tollefson Retail Group, Inc.
15213 Edgewood Drive
Baxter, MN 56425
(218) 829-8733

Tollefson Retail Group, Inc.
1901 Bemidji Ave.
Bemidji, MN 56601
(218) 751-5674

Tollefson Retail Group, Inc. (1)
1305 Industrial Park Drive
Eveleth, MN 55734
(218) 744-5565

RILL, LLC
807 South State St.
Fairmont, MN 56301
(507) 235-5533

Bold Step Strategies, Inc.
2215 W. Lincoln
Fergus Falls, MN 56537
(218) 739-2248

Tollefson Retail Group, Inc.
1301 Highway 169 East
Grand Rapids, MN 55744
(218) 326-3145

Tollefson Retail Group, Inc.
2538 East Beltline
Hibbing, MN 55746
(218) 262-5267

Kables Furniture & Carpet of Hutchinson, Inc. (1)
1120 Highway 7 East
Hutchinson, MN 55350
(320) 587-4622

Tollefson Retail Group, Inc.
1423 Third Avenue
International Falls, MN 56649
(218) 283-8477

Sleeptime, Inc. (1)
1711 Madison Avenue
Mankato, MN 56001
(507) 345-8916

Bold Step Strategies, Inc.
1203 E. College Drive
Marshall, MN 56258
(507) 537-4090

Five Seasons, Inc.
404 Schilling Drive N
Northfield, MN
(515) 423-8899

Five Seasons, Inc. (1)
160 Tyler Road N.
Red Wing, MN 55066
(651) 388-4600

Sleep-Ease of Rochester, Inc.
4909 Highway 52 North
Rochester, MN 55901
(507) 288-3887

Tollefson Retail Group, Inc.
Box 532, 1875 Highway 59 S.
Thief River Falls, MN 56701
(218) 681-3266

Rest Assured III, Inc. (1)
2614 First Street So.
Willmar, MN 56201
(320) 231-0450

Triple C, Inc. (1)
1437 Service Drive
Winona, MN 55987
(507) 452-0844

Peterson Inc. of Worthington (1)
1285 Ryan's Road
Worthington, MN 56187
(507)376-5882

MISSOURI

Sleepy Hollow Home Center, Inc.
2106 William St., Suite 200
Cape Girardeau, MO 63701
(573) 334-7757

Kassing Furniture Company, LLC (1)
8600 Interstate 70 Drive SE
Columbia, MO 65201
(573) 814-2500

Showcase, LLC (1)
2715 East Liberty
Mexico, MO 65265
(573) 581-6767

Lake View Furniture, LLC
62411 Highway 54
Osage Beach, MO 65065
(573) 302-4222

MONTANA

Harts Home Furnishings, Inc. (1)
7185 Trade Center Avenue
Billings, MT 59101
(406) 656-3500

NEBRASKA

H/B Furnishings
5816 2nd Avenue West
Kearney, NE 68847
(308) 238-2223

MidCity, Inc. (1)
1900 Center Drive
P.O. Box 818
Norfolk, NE 68702
(402) 371-6838

H/B Furnishings (1)
3537 W. 13th St., Suite 108
Grand Island, NE 68803
(308) 381-8044

NORTH DAKOTA

Tollefson Retail Group, Inc. (1)
2400 E. Bismarck Expressway
Bismarck, ND 58504
(701) 255-2565

Beam Reach, Inc.
310 4th Avenue NE
Devils Lake, ND 58301
(701) 662-4091

Tollefson Retail Group, Inc.
2100 South Broadway
Minot, ND 58701
(701) 838-7120

SOUTH DAKOTA

Furniture Barn, Inc. (1)
409 12th Street S.
Brookings, SD 57006-3816
(605) 692-7376

Furniture Barn, Inc. (2)
112 Main Ave. S
Brookings, SD 57006-3816
(605) 692-7376

Welcome Home Design
2375 Dakota Ave. South
Huron, SD 57350
(605) 353-0841

Tritz Investments, Inc.
920 North Garfield Avenue
Pierre, SD 57501
(605) 945-1997

Kenitzer, LLC (1)
2320 N. Maple Drive
Rapid City, SD 57701
(605) 342-6090

Pletan Furniture (1)
19 South Maple
Watertown, SD 57201-3651
(605) 882-3032

Larry's Home Center (1)
1401 Broadway
Yankton, SD 57078
(605) 665-3719

Purintun Furniture LLC
812 N Rowley St.
Mitchell SD, 57301
(605) 292-2900

WISCONSIN

Anderson-McLauglin Inc.
900 S. Keller Ave.
Amery, WI 54001
(715) 268-8149

Hesch of Stevens Point, Inc.
3903 Rib Mountain Drive
Wausau, WI 54401
(715) 241-9800

JRPE, LLC (1)
315 West Pine
Baraboo, WI 53913
(608) 356-9555

Shane LLC (1)
1645 North Spring St.
Beaver Dam, WI 53916
(920) 885-4244

SAL Creations, Inc.
1450 East Geneva Street
Delavan, WI 53115
(262) 728-1800

LA Creations, Inc. (1)
3023 Milton Avenue
Janesville, WI 53545
(608) 531-1400

Hesch, Inc.
3512 S. Maple Avenue
Marshfield, WI 54449
(715) 387-1610

Triple C, Inc. (1)
1293 Co Rd PH
Onalaska, WI 54650
(608) 781-5300

Triple C, Inc. (1)
1136 North Superior Ave.
Tomah, WI 54660
(608) 374-5600

Hesch of Stevens Point, Inc.
3903 Rib Mountain Drive
Wausau, WI 54401
(715) 241-9800

J&E Hesch LLC (1)
8522 US Highway 51 N
Minocqua, WI 54548
(715) 356-3311

J&E Hesch LLC (1)
1631 North Stevens Street
Rhinelander, WI 54501
(715) 365-3300

Hesch, Inc. of Stevens Point
5720 Windy Drive
Stevens Point, WI 54481
(715) 342-9393

Bedder Nights, LLC
1648 N. Spring Street
Watertown, WI 53916
(608) 434-5494

WYOMING

A & M Hager, LLC (1)
111 W. Midwest Ave.
Casper, WY 82601
(307) 265-5100

Footnote:

(1) Includes Outlet Center.

(2) Stand-alone Outlet Center.

Slumberland® Franchisees that Left the System Between January 1, 2025 through December 31, 2025

*H/B Furnishings
2268 33rd Avenue
Columbus, NE 68601
(402) 563-9200

*Davis & Davis, Inc. (1)
2600 Dodge Street
Dubuque, IA 52003
(563) 582-1095

**Multi Line Design
1203 E. College Drive
Marshall, MN 56258
(507) 537-4090

**Tollefson Retail Group
2215 W. Lincoln
Fergus Falls, MN 56537
(218) 739-2248

***DAV-SLU, Inc.
4391 16th Street
Moline, IL 61265
(309) 797-7122

****Triple C, Inc.
1136 North Superior Ave.
Tomah, WI 54660
(608) 374-5600

1293 Co Rd PH
Onalaska, WI 54650
(608) 781-5300

1437 Service Drive
Winona, MN 55987
(507) 452-0844

1791 State Highway 9
Decorah, IA 52101
(563) 387-4500

**Franchise reacquired by us; franchisee is still in the system.*

***Franchise location remains open, now operated under a different entity.*

****Franchise location closed, franchisee still in the system.*

*****Franchise entity changed majority ownership; location and operating entity remains the same.*

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

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C: SLUMBERLAND® FRANCHISE AGREEMENT

SLUMBERLAND® FRANCHISE AGREEMENT

BETWEEN

SLUMBERLAND FRANCHISING, INC.
3505 High Point Dr. N
Building #2
Oakdale, Minnesota 55128
(651) 482-7500
Fax (651) 482-0157

AND

_____

_____

_____

Your Name (Franchisee)

BUSINESS ADDRESS:

_____

Street

_____

City, State, Zip Code

_____

Area Code and Telephone

_____

Area Code and Facsimile

FRANCHISED LOCATION:

_____

Street

_____

City, State, Zip Code

_____

Area Code and Telephone

_____

Area Code and Facsimile

DATE OF FRANCHISE AGREEMENT:
_____, 20___

SLUMBERLAND FRANCHISING, INC.

FRANCHISE AGREEMENT

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PERSONAL GUARANTY
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EXHIBIT F – Renewal Addendum

SLUMBERLAND FRANCHISING, INC.
SLUMBERLAND® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") made, entered into and effective this _____ day of _____, 20___ (the "Effective Date") by and between Slumberland Franchising, Inc., a Minnesota corporation ("we" or "us"), and _____, a(n) _____("you");

RECITALS:

A. Over time and at a significant cost, we (and our predecessors) have developed a business concept for operating businesses of a distinctive character that market beds, mattresses, bedroom furniture, sofas, reclining chairs and other upholstered furniture under the name "Slumberland®" (the "Business System").

B. Slumberland, Inc. has granted us the right and authority to license the use of the name "Slumberland®" and certain other trademarks, trade names, service marks, slogans, logos and commercial symbols (the "Marks") for use in connection with Slumberland® businesses operated in conformity with the Business System.

C. You desire to operate a business using the name "Slumberland®" and the other Marks at the Franchised Location (defined in Article 1.1) in conformity with the Business System and our uniformity requirements and quality standards as we periodically establish.

In consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby agree as follows:

ARTICLE 1
GRANT OF FRANCHISE; FRANCHISED LOCATION

1.1 Grant of Rights; Franchised Location; Protected Area

We hereby grant to you the nonexclusive right to operate one Slumberland® Business in conformity with the Business System using the name "Slumberland®" and the other Marks at the location identified in Exhibit A (the "Franchised Location"). During the term of this Agreement, we will not open or grant to any other person or Entity the right to open, a Slumberland® Business within the area described in Exhibit A (the "Protected Area"). In the event the Franchised Location has not yet been determined as of the Effective Date, then the geographical area in which your Slumberland® Business is to be located will be described or otherwise defined in an exhibit signed by the parties and attached to this Agreement. At such time as the address of the Franchised Location is determined, then the address will be inserted into Exhibit A of this Agreement. You will not have the right to franchise, subfranchise, license or sublicense its rights under this Agreement.

1.2 Relocation

Provided you are not in default of this Agreement, you may, at your sole expense and with our prior written approval, relocate the Franchised Location if: (a) the proposed new location is located in your Protected Area; (b) the proposed new location meets our then-current requirements; and (c) your new Protected Area does not infringe upon (i) the protected area of any existing or proposed Slumberland® business or any other business owned or operated by us or any of our Affiliates; or (ii) any protected area granted to any other franchisee, area developer, area franchisee, master

franchisee or subfranchisee of Slumberland® businesses. The new location of the Business, including the real estate and the building, must comply with our then-current image, décor, standards and specifications. You will pay us a Relocation Fee equal to the costs we incur in conjunction with the relocation on the date we approve your right to relocate to the new location.

1.3 Reservation of Rights

We reserve all rights not specifically granted in Article 1.1 above. During the term of this Agreement and thereafter, we and our Affiliates will have the right to: (a) operate, and to grant other persons the right to operate, Slumberland® businesses at locations outside the Protected Area; (b) directly or indirectly sell the products and services authorized for sale at Slumberland® businesses under trademarks and services marks other than the Marks through similar or dissimilar channels of distribution; and (c) directly or indirectly sell any and all products or merchandise under the Marks or any other trademarks or trade names, to other persons or Entities that are not Slumberland® franchisees through all other methods of wholesale or retail distribution, including direct mail, telemarketing, television or radio infomercials and e-commerce on the Internet, anywhere in the world.

1.4 Transfer Sales; Internet Sales

Nothing in this Agreement will be construed to prohibit us, our Affiliates or other franchisees from soliciting orders, accepting orders or making deliveries outside of the Protected Area. In addition, you must comply with our then-current policies relating to sales via the Internet and sales originated by a Slumberland® business but filled by another Slumberland® business as described in this Agreement and in the Operation Modules.

1.5 Conditions

You hereby undertake the obligation to operate the Slumberland® Business at the Franchised Location in strict compliance with the terms and conditions of this Agreement for the entire term of this Agreement. The rights and privileges we granted to you under this Agreement are applicable only to the Franchised Location, are personal in nature, and may not be used elsewhere or at any other location by you, except as specifically provided for in this Agreement. Nothing in this Agreement will be construed to grant to you any option, right of first refusal or other similar right to open and operate any additional franchised Slumberland® businesses.

ARTICLE 2
TERM OF AGREEMENT; RENEWAL RIGHTS

2.1 Term

The term of this Agreement will be for 15 years, commencing on the Effective Date. This Agreement will not be enforceable until it has been signed by both you and us, and delivered to you.

2.2 Term to Coincide with Term of Lease

If the term of the Lease for the Franchised Location (excluding any renewal options) is for a term that is longer than the term of this Agreement, then the term of this Agreement will be automatically extended to coincide with the length of your Lease; however, the term of this Agreement will not exceed 20 years. The term of this Agreement will be for 15 years if the Franchised Location, business premises, real estate, land or building are owned by: (a) you; (b) an Owner; (c) an Immediate Family Member of (1) you, or (2) an Owner; or (d) an Entity that is more than 50% owned by (1) you, (2) an Owner, (3) an Immediate Family Member of you, or (4) your Immediate Family Member of an Owner.

2.3 Right to Renew

At the end of the term of this Agreement, you will have the right to renew your Franchise for one additional term equal to our then-current term, provided that you have agreed to and has complied in all respects with the following conditions:

(a) You have given us written notice at least 180 days prior to the end of the term of this Agreement of your intention to renew the Franchise for the Franchised Location; and

(b) During the term of this Agreement, you have complied with all of the material terms and conditions of this Agreement and has complied with our material operating and quality standards and procedures; and

(c) All monetary obligations you owe us have been paid or satisfied prior to the end of the term of this Agreement, and have been timely met throughout the term of this Agreement; and

(d) You agree, in writing, to make the reasonable capital expenditures necessary to remodel, modernize and redecorate the Franchised Location and to replace and update the FF&E used in your Business so that your Business will reflect the then-current image intended to be portrayed by us; and

(e) You sign our then-current standard Slumberland® Franchise Agreement which may contain materially different terms and conditions, including a different territory or fees, but you will not be required to pay us the initial fee; and

(f) As of the date you renew your Franchise for the Business, you either own the Franchised Location, or you have the right to lease the Franchised Location for a term that coincides with the term of our then-current standard Franchise Agreement;

(g) You and your Owners meet all of our managerial, financial and business standards for new and renewing Slumberland® franchisees;

(h) You and your Owners sign a general release of Claims, in a form acceptable to us, of all claims against us and our Affiliates, officers, directors, employees or agents; and

(i) You pay us a renewal fee equal to $5,000.

ARTICLE 3
LICENSING OF MARKS AND BUSINESS SYSTEM TO YOU

3.1 Your Right to License Marks

We hereby grant to you the nonexclusive personal right to use the Marks and the Business System in the manner we specify in writing and under the terms of this Agreement and the Operations Modules. Your right to use and identify with the Marks and the Business System will exist concurrently with the term of this Agreement and such use by you will inure exclusively to the benefit of us and Slumberland, Inc.

3.2 Conditions to License of Marks

Your nonexclusive personal right to use the name “Slumberland®” as the name of your Business and your right to use the Marks and the Business System applies only to the Franchised Location, and such rights will exist only so long as you fully perform and comply with all of the conditions,

terms and covenants of this Agreement. You will not have or acquire any rights in any of the Marks or the Business System other than the right of use as provided herein. You will have the right to use the Marks and the Business System only in the manner we prescribe, direct and approve in writing. If, in our judgment, your acts infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks or the Business System, then you will, upon written notice from us, immediately modify your use of the Marks or the Business System in the manner we direct in writing. Any and all goodwill associated with the Marks and the Business System will inure exclusively to Slumberland, Inc.'s and our benefit, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the Marks and the Business System. You will at no time take any action whatsoever to contest the validity or the ownership of the Marks and Business System and the goodwill associated therewith and will not allege any ownership in the Marks.

3.3 Adverse Claims to Marks

If there are any Claims by any third party that its rights to any or all of the Marks are superior to our or Slumberland, Inc.'s rights and if our attorneys are of the opinion that such Claim by a third party is legally meritorious, or there is an adjudication by a court of competent jurisdiction that any party's rights to the Marks are superior to our or Slumberland, Inc.'s rights, then upon receiving written notice from us, you will, at your sole expense, immediately adopt and use the changes and amendments to the Marks, immediately cease using the Marks we direct, and as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols we designate in writing at the Franchised Location, and in connection with all advertising, marketing and promotion of your Business. You will not make any changes or amendments whatsoever to the Marks or the Business System unless we approve or specify the changes or amendments in writing.

3.4 Defense or Enforcement of Rights to Marks

You will have no right to and will not defend or enforce any rights associated with the Marks or the Business System in any court or other proceedings for or against imitation, infringement, prior use or for any other Claim. You will give us prompt and immediate written notices of any and all Claims made against or associated with the Marks or the Business System, and will, without compensation for your time and at your expense, cooperate in all respects with us in any lawsuits or other proceedings involving the Marks and the Business System. We and Slumberland, Inc. will have the sole and absolute right to determine whether we will commence any action or defend any litigation involving the Marks and/or the Business System, and the costs and expenses (including attorneys' fees) of all litigation incurred by us or Slumberland, Inc., including interest on such costs and expenses, specifically relating to the Marks or the Business System will be paid by us.

3.5 Your Right to Participate in Litigation

You may, at your expense, retain an attorney to represent you individually in all litigation and court proceedings involving the Marks or the Business System, and may do so with respect to matters involving only you (i.e. not involving Slumberland, Inc., us or our interests); however, Slumberland, Inc. and its attorneys will control and conduct all litigation involving the Marks or the Business System. Except as provided herein, neither Slumberland, Inc. nor us will have any liability whatsoever to you for any costs that you may incur in any litigation involving the Marks or the Business System, and you will pay for all costs, including attorneys' fees, that you may incur in any litigation or proceeding arising as a result of the matters referred to under this Article 3, unless you tender the defense to Slumberland, Inc. in a timely manner as provided for herein.

3.6 Tender of Defense

If you are named as a defendant or party in any action involving the Marks or the Business System and if you are named as a defendant or party solely because the plaintiff or claimant is alleging that you do not have the right to use the Marks or the Business System we license to you at the Franchised Location under this Agreement, then you will have the right to tender the defense of the action to Slumberland, Inc., and Slumberland, Inc. will, at its expense, defend you in the action provided that you have tendered the action to Slumberland, Inc. within 10 days after receiving service of the Summons and Complaint involving the action and provided that you have used the Marks and the Business System in full compliance with the terms of this Agreement and the Operations Modules. Slumberland, Inc. will indemnify and hold you harmless from any Damages assessed against us in any actions resulting solely from your use of the Marks and the Business System at the Franchised Location if you have tendered the defense of the action to Slumberland, Inc. in a timely manner and provided that you have used the Marks and the Business System in full compliance with the terms of this Agreement and the Operations Modules.

3.7 Identification of Business

You will operate the Business so that it is clearly identified and advertised as a Slumberland® Business in the format we approve, as described in our Operations Modules or otherwise in writing.

3.8 Branding of Products

You will not under any circumstances have the right to: (a) use or display the Marks on or in connection with any product or service other than the Products and Services; (b) acquire, develop or manufacture any product under the Marks, or direct any other person or Entity to do so; and (c) acquire, develop or manufacture any product that has been developed or manufactured by or for us for use in conjunction with the Business System and which is sold under any of the Marks, or direct any other person or Entity to do so.

ARTICLE 4
INITIAL FEE; APPROVAL OF FRANCHISEE

4.1 Initial Fee

You will pay us the nonrefundable Initial Fee described on Exhibit A when you sign this Agreement.

4.2 Our Unilateral Right to Reject You

We will have the absolute right to reject or disapprove you and to cancel this Agreement if we determine at any time within 90 days after the Effective Date that: (a) any required financial, personal or other information you provided to us is materially false, misleading, incomplete or inaccurate; (b) you do not (1) meet our managerial, financial and business standards for new franchisees, (2) possess a good business reputation and credit rating, or (3) possess the aptitude and ability to conduct the Slumberland® Business in an economic and businesslike manner (as may be evidenced by prior business experience or otherwise); or (c) you or your Manager are not qualified or competent to properly operate your Slumberland® Business because such person has failed to successfully complete our training program or is deemed by us to be incapable of successfully completing our training program. You will not sign a Lease for the Franchised Location unless the enforceability of the Lease is conditioned upon our approval of you and until this Agreement is deemed legally enforceable.

ARTICLE 5
CONTINUING FEES; OTHER FEES

5.1 Continuing Fees

You will, commencing on the earlier of (a) the date you commence business at your Slumberland® Business, or (b) 12 months after the Effective Date, and continuing for the entire remaining term of this Agreement, pay to us monthly Continuing Fees equal to at least 3% of your monthly Gross Revenues. The Continuing Fees you pay us will not be refundable to you under any circumstances. You will pay the monthly Continuing Fees to us on or before the 15th day of each month for the preceding month in the manner designated in the Operating Module.

5.2 Minimum Monthly Continuing Fees

Commencing 24 months after the Effective Date and continuing each month thereafter, you will pay us monthly Continuing Fees equal to the greater of: (a) 3% of your monthly Gross Revenues; or (b) the minimum monthly Continuing Fee described in Exhibit A (the "Minimum Monthly Continuing Fee"). We will have the right to re-evaluate the minimum monthly Continuing Fee every five years during the term of this Agreement based upon an increase or decrease in the number of households within a 10-mile radius of the Franchised Location, a change in the minimum monthly Continuing Fees payable pursuant to our then-current standard Franchise Agreement, or other criteria we establish. We will notify you in writing at least 60 days prior to each five year anniversary date of this Agreement that the Minimum Monthly Continuing Fee will be changed to the amount described in the written notice. Upon receipt of such written notice from us, you will pay the new Minimum Monthly Continuing Fee specified in the written notice on the 15th day of the first full calendar month following the applicable anniversary date of this Agreement occurs. If no such notice is provided to you at least 60 days prior to the applicable anniversary date, then your Minimum Monthly Continuing Fee will not change for the next five-year term of the Agreement.

5.3 Brand Development Fees

You will pay us a monthly "Brand Development Fee" in an amount equal to one percent (1%) of your monthly Gross Revenues. We may increase the Brand Development Fee upon ninety (90) days written notice to you, but we will not increase the Brand Development Fee more than half of one percent (0.5%) in a single calendar year, and we will not increase the Brand Development Fee above two percent (2%). You will pay the Brand Development Fee in the same manner and on the same date that you pay us the Continuing Fees. The Brand Development Fee will be credited towards your monthly local or regional advertising expenditure requirements described in Section 8.2.

5.4 Regional Advertising Fees

If Slumberland, Inc. owns and operates a location within the same Designated Marketing Area ("DMA") that your Franchised Location is located, you will pay Slumberland, Inc. a monthly "Regional Advertising Fee" in an amount equal to your *pro rata* share of all costs Slumberland, Inc. incurs for any TV advertising and other promotions.

(a) Your *pro rata* share is calculated as follows:

(i) We will calculate the total number of TV households within the DMA from published Nielsen data (or other sources we select in our reasonable judgment) ("Total TV Households") and will calculate the total Gross Revenues attributable to sales from the DMA from all Slumberland® stores located in the DMA during the prior reporting year ("Total Prior Year DMA Sales").

(ii) You will be allocated TV households in the DMA ("Franchisee's TV Households) by multiplying Total TV Households times a fraction, the numerator of which is your Gross Revenues from the DMA during the prior reporting year ("Franchisee's Prior Year DMA Sales") and the denominator of which is the Total Prior Year DMA Sales.

(iii) Your Pro Rata Share is obtained by dividing Franchisee's TV Households by Total TV Households.

(b) We will notify you, at least thirty (30) days before the applicable advertising year, of the number of each of the following: (i) Franchisee's TV Households; your *pro rata* share; and (iii) Slumberland, Inc.'s estimated costs for the applicable advertising year. If Slumberland, Inc. incurred any expenses in the preceding month on any advertising and promotional costs in the DMA, we will invoice you each month for your *pro rata* share.

(c) The Regional Advertising Fee will be credited towards your monthly local or regional advertising expenditure requirements described in Section 8.2, and you will not pay Slumberland, Inc. any part of your *pro rata* share that exceeds two percent (2%) of your monthly Gross Revenues on local or regional advertising.

5.5 Electronic Transfer of Funds

We may require you to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. If we require payment through electronic transfer of funds or a similar method of payment, you will maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. In addition, you will pay us a service charge of $100 if at any time your payment is rejected due to insufficient funds in your account or otherwise fail to pay us or our affiliates amounts owed when due.

5.6 Your Obligation to Pay

Your failure to timely pay the monthly Continuing Fees or any other fees due to us or our Affiliates will be deemed to be a material breach of this Agreement. You do not have the "right of offset" and, as a consequence, you will timely pay any fees due us or our Affiliates under this Agreement regardless of any Claims you may allege against us or our Affiliates.

5.7 Financial Statement Late Fee

If you fail to submit your quarterly or annual Financial Statements when due, as described in Article 11.1, then you must pay us on demand a $500 late fee for each month that your quarterly or annual Financial Statement is not timely submitted to us.

5.8 Interest on Unpaid Amounts; Collection Costs

If you fail to timely pay us or our Affiliates any amounts owed, then the past due amounts will bear interest at the lesser of: (a) the maximum legal rate allowable in the state in which your Slumberland® Business is located; or (b) 18% per annum simple interest. You will pay us and our Affiliates for any and all charges and costs we incur in the collection of unpaid and past due amounts

including the amount of actual attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees, Travel Expenses, and interest on such fees, costs, and expenses.

ARTICLE 6
SITE SELECTION AND DEVELOPMENT

6.1 Site Selection

You will be solely responsible for selecting the site for the Franchised Location and, as applicable, for purchasing the real estate and constructing or remodeling the building or business premises for the Franchised Location, obtaining a Lease for the Franchised Location or otherwise acquiring possession of and access to the Franchised Location. We may, but are not required to, provide you with access to information and other tools we obtain from third party suppliers to assist you in selecting the site for your Franchised Location. You will provide the information we request relating to the proposed site and we may elect to visit any site you propose. We will have the right to require that you obtain, at your expense, an economic feasibility study for the Franchised Location. Any feasibility study we require will be completed by an expert mutually agreed upon by us and you in writing. No provision of this Agreement will be construed or interpreted to impose any obligation upon us to locate a suitable site for the Franchised Location, to assist you in the selection of a suitable site for the Franchised Location, to provide any assistance to you in the purchase or lease of the Franchised Location, or to assist you with the construction or remodeling of the Franchised Location. You acknowledge that neither our review of the proposed site for the Franchised Location nor any assistance that may we provide in the selection or development of the site constitutes a representation, warranty or guaranty by us regarding the potential financial success of the Slumberland® Business operated at that site, and you assume all business and economic risks associated with the site.

6.2 Purchase or Lease of Site

You will retain an experienced commercial real estate broker or salesperson who we approve to advise and counsel you with regard to the price, economics, viability, location, and acquisition or lease of the site for your Business and an experienced attorney to provide advice and counsel on the terms, conditions and economics of the documents required to lease or purchase the site. If we request, you will provide us with a copy of the proposed Lease for the site you selected at least 10 days before the date the Lease is to be signed. Our review of the Lease will be only to determine whether the terms of the Lease comply with the terms and conditions of this Agreement, and not to provide any business, legal or real estate advice or analysis. You will be solely responsible for all terms of the Lease, including the enforceability, economics and legality of all provisions in the Lease. You will not sign the Lease until this Agreement has been signed by both you and us. The Lease will provide that we will have the right, but not the obligation, to enter the premises of the Franchised Location to conduct inspections during regular business hours. We will have no duty or obligation to assist you in the selection of a site for the Franchised Location, or to provide any assistance to you in the purchase or lease of the Franchised Location.

6.3 Ownership of Franchised Location

If you, any of the Owners, or an Entity owned by you and/or any of the Owners, owns, leases or otherwise controls the Franchised Location, including the land, building and related real estate, or if you, any of the Owners, or an Entity owned by you and/or any of the Owners own 50.1% or more of an Entity that owns, leases or otherwise controls the Franchised Location, then you will, as the lessee, enter into a Lease for the Franchised Location for a term coextensive with the term of this Agreement containing terms and conditions that are commercially reasonable and substantially similar to a commercial lease that would be executed by unrelated parties in an arm's length transaction for similarly situated real estate.

6.4 Franchised Location Development

We will, at our expense, loan to you a set of the standard plans, standards and specifications for a Slumberland® business. You will, at your expense, retain a licensed architect and will be responsible for the preparation of working drawings and construction and architectural plans and specifications for your Business. You will be responsible for the accuracy of all drawings, plans and specifications for your Business. The Franchised Location and your Business will conform to all plans, standards and specifications we establish. You will purchase and install the FF&E specified in the Operations Modules for your Business. You will be solely responsible for all costs and expenses incurred for the construction or remodeling of your Business at the Franchised Location including all costs for architectural plans, all modifications to our standard plans and specifications, construction or layout of the Franchised Location, building permits, site preparation, heating, ventilation and air conditioning, interior décor and decorations, FF&E, leasehold improvements, labor, architectural and engineering fees, electricians, plumbers, general contractors and subcontractors.

6.5 Inspection

You will be solely responsible for inspections during construction or renovation to confirm that the Franchised Location is being constructed or renovated in a workmanlike manner and according to the plans and specifications we establish. You will be solely responsible for complying with all federal, state and local laws, ordinances, statutes and building codes, and for acquiring all licenses and building and other permits required by law in connection with the construction or renovation of your Business at the Franchised Location. We will have no responsibility to you or any other party relating to the construction or renovation of the Franchised Location. You will not open the Business without our prior written approval.

6.6 Approved Signs

The Slumberland® signs used at the Franchised Location (the "Signs") must comply with our standards and specifications, and with the plans and specifications for the Signs you prepare and we approve in writing. We will provide to you a written copy of our current standards and specifications, and you will, at your expense, prepare complete and detailed plans and specifications for the Signs and will submit such plans and specifications to us for our written approval. The Signs must be installed or erected at the Franchised Location precisely in the place, location and manner we specify in writing before the opening of your Slumberland® Business. We will have the absolute right to inspect, examine, measure, videotape and photograph the Signs at any time during the term of this Agreement. You will, at your expense, be responsible for any and all costs associated with the Signs, including installation costs, architectural fees, engineering costs, construction costs, permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies. You will comply with all federal, state and local laws, regulations, building codes and ordinances relating to the erection, maintenance and use of the Signs. You will not alter, remove, change, modify or redesign the Signs unless we approve in writing. We will have the unequivocal and unilateral right to redesign the plans and specifications for the Signs during the term of this Agreement without your approval or consent. In that event, you will, at your expense, either modify or replace the Signs so that the Signs displayed at the Franchised Location will comply with our redesigned plans and specifications. You will not be required to modify or replace the Signs more than once every five years.

ARTICLE 7
TRAINING

7.1 Training

We will provide an initial training program for you or your Manager in St. Paul, Minnesota (or such other location we designate) to educate, familiarize and acquaint them with the Business System and the operations of a Slumberland® business (the "Training Program"). The Training Program will occur before you open your Slumberland® Business at the Franchised Location and will include classroom instruction on basic operations, merchandise purchasing and handling, sales training, marketing, customer service, basic accounting procedures, computer and point-of-sale system training, and other business topics we select. You and/or your Manager must successfully complete the Training Program prior to commencing the business operations of your Business. We will schedule the Training Program in our sole discretion and will be for a minimum of three days. In the event you or your Manager have failed to successfully complete our Training Program, then such person will not be permitted or authorized to participate in the management of your Slumberland® Business. If this Agreement is for your second or subsequent franchised Slumberland® Business, then we will determine the Training Program we provide to you or your Manager after consultation with you.

7.2 Changes in Personnel

At our option, all newly hired Managers must attend and successfully complete, at your expense, any training program we require within 45 days after his/her hiring. If any newly hired Manager fails to successfully complete a training program we require, then you will not permit that person to continue to participate in the operation of your Business. If we require a training program for newly employed Managers you hired after commencing business it will be conducted either at the Franchised Location, in St. Paul, Minnesota, or another site we designate, at our sole discretion. If Slumberland, Inc. provides the training program for any new Manager at the Franchised Location, then you will pay Slumberland, Inc. the then-current per day on-site Training Fee and will reimburse Slumberland, Inc. for all Travel Expenses incurred by Slumberland, Inc.

7.3 Additional Training

We may require your Manager to attend, at your expense, additional training in St. Paul, Minnesota, at the Franchised Location, or another location we designate on topics we determine if your Business fails to meet certain performance standards we establish or we otherwise determine, in our sole discretion, that additional training is necessary or required ("Additional Training"). If Additional Training is provided at the Franchised Location by Slumberland, Inc., then you will pay Slumberland, Inc. the then-current per day on-site Training Fee and will reimburse Slumberland, Inc. for all Travel Expenses incurred by Slumberland, Inc.

7.4 Payment of Salaries and Expenses

You acknowledge that all persons who attend any Training Program and/or Additional Training on your behalf are not our employees or any of our Affiliates' employees for any purpose. You will pay all Travel Expenses and the Salaries and Benefits for all persons who attend any Training Program or Additional Training on your behalf.

7.5 Opening Assistance

After you or your Manager have successfully completed the Training Program, our representatives will provide 200 hours of on-the-job training and pre-opening and opening assistance at the Franchised Location (collectively, "Opening Assistance") to assist you with implementing the Business System and the initial operations of your Slumberland® Business. In addition to the Opening Assistance, you will receive additional assistance as you reasonably request in writing and

we approve, and you will pay Slumberland, Inc. at the then-current rate charged by Slumberland, Inc. for such additional assistance. You will not open and commence initial business operations until we have given you written approval to open your Slumberland® Business. If this Agreement is for your second or subsequent franchised Slumberland® Business, then we will determine the Opening Assistance we provide at the Franchised Location after consultation with you.

7.6 Additional Assistance

Consistent with our uniformity requirements and quality standards, we or our authorized representative will: (a) provide you with a written schedule of all FF&E necessary and required for the operation of your Slumberland® Business; (b) provide you with a list of the suppliers for the Products and Services necessary and required for your Business; (c) provide you with such advertising materials as we may develop; (d) review and evaluate your Business as often as we deem necessary and render written reports to you as we deem appropriate regarding your Business operations; (e) provide you with 20 hours of management, operational and/or other assistance by telephone, by e-mail or at the Franchised Location, as we deem appropriate, during the first year of the term of this Agreement ("Management Assistance"); and (g) maintain a record of all Management Assistance rendered to you during the first year of the term of this Agreement. Travel time from St. Paul, Minnesota to the Franchised Location will be included in the 20 hours of Management Assistance that we provide to you. Slumberland, Inc. will provide additional Management Assistance by telephone, by e-mail or at the Franchised Location as you reasonably request in writing and we deem appropriate, and you will pay Slumberland, Inc. for such additional Management Assistance provided by Slumberland, Inc. at its then-current rate.

7.7 Third Party Providers

During the term of this Agreement, we will have the right to enter into management or other agreements with Slumberland, Inc. or other Affiliates, or agreements with other third parties (the "Third Party") authorizing and/or requiring the Third Party to provide to you the training, services and assistance set forth in this Article 7, and other provisions of this Agreement. You will enter into such agreements as the Third Party may require in order to provide the training, services and assistance to you in compliance with the Third Party's agreement with us.

7.8 Conventions

We will periodically host conventions, meetings, seminars and other gatherings or group sessions (collectively, "Conventions"). We may require you, your Manager or other persons we designate to attend the Conventions. The topics covered, duration, date and location of all Conventions we hold will be at our sole discretion. You will pay the registration fees, if any, we establish for each person attending a Convention we hold, and will also pay the Salaries and Benefits, the Travel Expenses and all other expenses incurred by the persons attending the Convention on your behalf.

ARTICLE 8
ADVERTISING

8.1 Approval of Advertising

You will use your best efforts to advertise and promote your Slumberland® Business. With the exception of the advertising materials we provide to you, all concepts, materials or media you propose for any advertising, promotion, marketing or public relations program or campaign must have our prior written approval. You will not permit any third party to advertise its business, services or products on the premises of the Franchised Location without obtaining our prior written approval.

8.2 Local or Regional Advertising

Each month during the term of this Agreement, you will spend a minimum of 8% of your monthly Gross Revenues for approved local or regional media advertising and promotion. On or before the 15th day of each month, you will furnish to us, in the form we require, an accurate accounting of your previous monthly expenditures for approved media advertising and promotion. If you failed to spend at least 8% of your monthly Gross Revenues for approved media advertising and promotion, then we may require that you deposit with us the difference between 8% of your monthly Gross Revenues and what you actually spent for approved media advertising and promotion. We will use this amount in your area for media advertising or promotion that we deem to be in the best interests of your Slumberland® Business. Expenditures you make for joint advertising for a manufacturer's Products ("Co-op Advertising") for which you receive payments from the manufacturer based on the Products you purchase from the manufacturer or on another basis, or for which you are otherwise reimbursed by the manufacturer for such expenditures, may not be included when calculating the total amount of expenditures you make for approved local or regional media advertising and promotion during the month.

8.3 Marketing Program

We will use the Brand Development Fee, as described in Section 5.3 of this Agreement, only for marketing, to develop and implement a system marketing program, and to promote the Marks and the Slumberland® System (the "Marketing Program"), including expenses related to: (a) the ecommerce platform; (b) marketing production; (c) mass digital media; (d) development, maintenance, and operation of the Slumberland® website; (e) future forms of electronic, Internet-based, and other marketing or promotional tools or programs; and (f) the reasonable costs of implementing the Marketing Program. We will contribute to the Marketing Program for all Slumberland® stores that we or our affiliates operate in the United States, as a group, at the same percentage as a majority of Slumberland® franchisees must contribute. We have no fiduciary obligations regarding the Brand Development Fee. We cannot ensure that any individual franchisee will benefit directly or on a *pro rata* basis from any such activity conducted through the Marketing Program. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Slumberland® businesses in that year. We will determine the strategy, content, implementation and other aspects of the Marketing Program, but we will schedule a meeting with interested Slumberland® franchisees at least once each calendar year to evaluate the Marketing Program and to seek advice from the Slumberland® franchisees on the effectiveness of the Marketing Program. You acknowledge and agree that targeted digital media (such as, but not limited to, search engine optimization, search engine marketing, and paid listing ads) is not currently part of the Marketing Program and you must purchase targeted digital media from our approved vendor.

8.4 Additional Advertising Programs

You will participate in all of the advertising and promotional programs we approve, recommend, establish or require in the manner we deem appropriate. To the extent allowed by law, this includes a requirement that you sell products at the prices and discounts advertised or promoted pursuant to programs we establish. With the exception of Co-op Advertising, amounts you spend to participate in the advertising and promotional programs we approve, recommend, establish or require will be included in the monthly advertising and promotional requirements specified in Article 8.2 of this Agreement.

8.5 Slumberland, Inc. Regional Advertising Programs

From time to time, Slumberland, Inc. conducts marketing campaigns which include television marketing and other regional marketing. If Slumberland, Inc. owns and operates a location within the same DMA that your Franchised Location is located, you may benefit from the television and

other marketing campaigns Slumberland, Inc. conducts. Therefore, if Slumberland, Inc. owns and operates a location within the same DMA that your Franchised Location is located, you must pay Slumberland, Inc. the monthly Regional Advertising Fee as described in Section 5.4 of this Agreement.

ARTICLE 9
QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF YOU

We will promulgate, from time to time, uniform standards of quality and service regarding the business operations of your Slumberland® Business so as to protect and maintain (for the benefit of all Slumberland® franchisees and us) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the Business System. These uniform standards are not for the purpose of establishing any control or duty to control over those matters that are reserved to you. Accordingly, to insure that all Slumberland® franchisees will maintain the uniformity requirements and quality standards for the Products and Services associated with the Marks and the Business System, you agree to maintain the uniformity and quality standards required by us for all Products and Services associated with the Marks and the Business System, and agree to the following terms and conditions to assure that all Slumberland® businesses will be uniform in nature and will use, sell and dispense quality Products and Services to the public:

9.1 Compliance with Standards

You will use the Marks and the Business System in strict compliance with the moral and ethical standards, quality standards, operating procedures, specifications, requirements and instructions we require ("Requirements"), which we may periodically amend and supplement. These Requirements will be set forth in the Operations Modules or other written materials. The Operations Modules also may include guidelines or recommendations in addition to the Requirements. In some instances, the Operations Modules will include recommendations or guidelines to meet the Requirements. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the Requirements. In other instances, no suitable alternative may exist. Any required specifications, standards and operating procedures exist to protect our interests in the Business System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. In order to protect our interests in the Business System and Marks, we reserve the right to determine if you are meeting a Requirement and whether an alternative is suitable to any recommendations or guidelines.

9.2 Identification as Franchisee

You will not use the word "Slumberland®" in your corporate, partnership or sole proprietorship name. You will hold yourself out to the public as an independent contractor operating your Slumberland® Business pursuant to a Franchise from us. Whenever practical, you will clearly indicate on your business checks, stationery, purchase orders, business cards, invoices, receipts, advertising, public relations and promotional materials, and other written materials that you are our franchisee. You will display a sign at each entrance to the Franchised Location which is clearly visible to the general public indicating that your Slumberland® Business is independently owned and operated as a franchised business. You will file for a certificate of assumed name in the manner required by state law so as to notify the public that you are operating your Slumberland® Business as an independent business pursuant to this Agreement.

9.3 Remodeling and Redecoration of Franchised Location

You will make reasonable capital expenditures necessary to remodel, modernize, redecorate and renovate ("remodel") the Franchised Location and your business premises and to replace and

modernize your FF&E so that the Franchised Location and your business premises will reflect the then-current image intended to be portrayed by Slumberland® businesses. All remodeling must have our prior written approval. All replacements for the FF&E must conform to our then-current quality standards and must be approved by us in writing. You acknowledge and agree that the requirements to remodel and modernize the Slumberland® Business, as set forth in this provision are reasonable and necessary to maintain uniformity among all Slumberland® businesses, to update the standards and image of Slumberland® businesses and to avoid the deterioration of the appearance and operation of your Business. You will commence remodeling the Franchised Location within three months from the date that you receive written notice from us specifying the required remodeling and will diligently complete such remodeling within a reasonable time after its commencement. You must pay Slumberland, Inc. the then-current fees charged by Slumberland, Inc. for any design, contract bid, site visits or other related services provided by Slumberland, Inc. in conjunction with the remodeling of your Business. Except as provided in Article 9.4 of this Agreement, you will not be required to extensively remodel the Franchised Location, your business premises, or to replace and modernize your FF&E more than once every five years during the term of this Agreement.

9.4 Repair and Maintenance

You will, at your expense, repair, paint and keep in a clean and sanitary condition the interior, the exterior and, where applicable, the grounds of the Franchised Location, and will replace all floor covering, wall coverings, light fixtures, curtains, blinds, shades, furniture, fixtures and other decor items as such items become worn-out, soiled or in disrepair. All mechanical equipment, including ventilation, heating and air conditioning, will be kept in good working order by you at all times, and will meet our quality standards. All replacement FF&E and other items you use in the Business must comply with our then-current standards and specifications.

9.5 Working Capital.

You will, at all times, maintain sufficient working capital to operate the Slumberland® Business and to fulfill your obligations under this Agreement, and will take steps to ensure availability of capital to fulfill your obligations to maintain, remodel and modernize the premises and operations of the Business, as required by the provisions of this Agreement.

9.6 Compliance with Operations Modules

You will have access to our confidential Operations Modules. In order to protect our reputation and goodwill and to maintain uniform operating standards under the Marks and the Business System, you will operate your Slumberland® Business in compliance with the mandatory provisions of the Operations Modules. We may modify and change the Operations Modules and you will conform to all changes and modifications we make to the mandatory provisions of the Operations Modules. The Operations Modules and all supplements, changes and modifications to the Operations Modules are and will remain our sole and exclusive property. You will, at all times, treat the Operations Modules as secret and confidential. You will not use the Operations Modules or any information contained therein in connection with the operation of any other business or for any purpose other than the operation of your Slumberland® Business. The terms of master copy of the Operations Modules we maintain will control in the event of any dispute.

9.7 Compliance with Applicable Laws

You will, at your expense, comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations pertaining to the construction or remodeling of the Franchised Location and to the operation of your Business including, but not limited to: (a) health and safety regulations and laws; (b) environmental laws; (c) employment and labor laws (including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual

harassment laws, disability and discrimination laws); (d) credit card and debit card laws applicable to consumers, including all privacy laws, the payment card industry's data security standards; (e) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income tax laws); and (f) data privacy and data protection laws. You will, at your expense, be solely and exclusively responsible for determining the licenses and permits required by law for your Business, for obtaining and qualifying for all licenses and permits, and for compliance with all applicable laws by your employees, agents and independent contractors. We makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Business. It is your sole responsibility to identify and obtain all authorizations necessary to operate the Business. You must comply with all privacy policies or data protection and breach response policies we periodically may establish, and you must notify us immediately of any suspected data breach at or in connection with the Business. In addition, you acknowledge that you have had an opportunity to obtain legal advice regarding, and currently comply with, all applicable legal requirements that prohibit unfair, fraudulent or corrupt business practices, including without limitation U.S. and other legal requirements that are designed to combat terrorism and terrorist activities. In addition, neither you nor any holder of an Ownership Interest in you is named as a "specially designated national" or "blocked person" as designated by the United States Department of the Treasury's Office of foreign Assets Control.

9.8 Payment of Obligations

You will timely pay all of your noncontested and liquidated obligations and liabilities due and payable to us, our Affiliates, and to your suppliers, lessors and creditors.

9.9 Payment of Taxes

You will be absolutely and exclusively responsible and liable for complying with all tax laws and for the prompt filing of all tax returns and the prompt payment of all federal, state, city and local taxes including individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, unemployment taxes, employee withholding taxes, F.I.C.A. taxes, unemployment taxes, inventory taxes, personal property taxes, real estate taxes and other taxes payable in connection with your Business ("Taxes"). We will have no liability for the Taxes which arise or result from your Business and you will indemnify us for any such Taxes that may be assessed or levied against us which arise or result from your Business. It is expressly understood and agreed by the Personal Guarantors to this Agreement that their personal guaranty applies to the prompt filing of all returns and the prompt payment of all Taxes which arise or result from your Business. In the event any "franchise" or other tax which is based upon the Gross Revenues, receipts, sales, business activities or operation of your Business is imposed upon us by any taxing authority, then you will reimburse us in any amount equal to the amount of such taxes and related costs imposed upon and paid by us. You will be notified in writing when we are entitled to reimbursement for the payment of such taxes and, in that event, you will pay us the amount specified in the written notice within 10 days of receipt of the written notice.

9.10 Business Hours; Personnel; Attire

Your Slumberland® Business will be open for business on such days and for such hours as we may designate in writing. You will have management personnel on duty who are responsible for supervising the employees and the business operations of your Business. You will have a sufficient number of adequately trained and competent personnel on duty at all times to guarantee efficient service to your customers. You will require your employees to wear the standard attire, which we have established and approved. All your employees will wear clean and neat attire and will practice good personal hygiene.

9.11 Our Inspection Rights

We and our assignees will have the absolute right to take photographs and videotapes of your Slumberland® Business at all times during business hours, and to examine representative samples of the products and goods sold or used at or by your Slumberland® Business and to evaluate the quality of the products and services provided by you to your customers. We will have the right to use all photographs and videotapes of your Slumberland® Business for such purposes as we deem appropriate including, but not limited to, use in training, advertising, marketing, promotional and/or litigation materials. You will not be entitled to, and hereby expressly waive, any right that you may have to be compensated by us, our advertising agencies, and other Slumberland® franchisees for the use of such photographs or videotapes for training, advertising, marketing, promotional and/or litigation purposes. In addition, you will participate, at your expense, in any quality assurance monitoring programs we specify, including telephonic or electronic customer polling or onsite "secret shopper" programs, and will share the results of such programs with us.

9.12 Security Interest

This Agreement and the Franchise granted to you hereunder may not be the subject of a security interest, lien, levy, attachment or execution by your creditors or any financial institution, except with our prior written approval.

9.13 Credit Cards and Debit Cards

You will honor all credit, debit, charge, and cash cards or other credit devices we require or approve. You must obtain our written approval prior to honoring or accepting any previously unapproved credit, debit, charge, cash cards or other credit devices or financing arrangements. You must maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the term of this Agreement. You further understand you are responsible for the security of cardholder data in the possession or control of any subcontractors you engage to perform under this Agreement. Such subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You will, if we request, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

9.14 Gift Cards and Coupons

You will offer to your customers the opportunity to purchase gift cards we or Slumberland, Inc. issue that will be sold by all Slumberland® franchisees, including gift cards that may be redeemable in electronic or card form. You and your Slumberland® Business will not have the right to sell or issue gift certificates of any kind, except those that we or Slumberland, Inc. issue and will not issue certificates, coupons or discounts of any type, except with our written permission.

9.15 Notices of Default, Lawsuits or Other Claims

You will immediately deliver to us a copy of any notice of default received from any mortgagee, trustee under any deed of trust, contract for deed holder, lessor or any other party with respect to your Slumberland® Business or the Franchised Location and copies of all written notifications of any lawsuits, consumer claims, employee claims, federal or state administrative or agency proceedings or investigations or other claims, actions or proceedings relating to your Slumberland® Business or the Franchised Location. You will notify us in writing within five days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting you and/or the operation of the Business. Upon our request, you will provide such additional information as we may require regarding the alleged default, lawsuit, claim, action,

investigation or proceeding, or any subsequent action or proceeding in connection with the alleged default, lawsuit, claim, action, investigation or proceeding.

9.16 Other Business.
You will use the Franchised Location solely for the operation of a Slumberland® Business and will not directly or indirectly operate or engage in any other business or activity from the Franchised Location. You will not participate in any dual branding program, or in any other program, promotion or business pursuant to which another trademark, service mark, trade name, or commercial symbol is used in connection with your Business or at the Franchised Location.

9.17 Disclosure.
We will have the right to disclose in our Franchise Disclosure Document as required by law, and in other documents and places as we determine, any information relating to the Business, including your name, any address and/or telephone number(s), revenues, expenses, results of operations and/or other information. Any disclosure we make will be for reasonable business purposes, and our rights under this provision will survive the assignment, termination or expiration of this Agreement.

9.18 Technology and Hardware
You will, at your sole expense, purchase, lease, license or otherwise acquire, install and utilize the telephone equipment or services, and other telecommunication or information processing equipment, computer hardware and peripheral devices, including printers, monitors, modems and networking equipment, and the computer software and operating systems, including the point-of-sale, inventory access and accounting system (collectively, the "Technology and Hardware") as we may periodically require for use in Slumberland® businesses. The Technology and Hardware must meet the standards and specifications we establish, must be purchased, leased, licensed or otherwise acquired from our Designated Supplier, and must be installed and tested by our Designated Supplier. You will execute and comply with the documents and/or agreements our Designated Supplier requires to purchase, lease, license or otherwise acquire the Technology and Hardware required for the operation of your Slumberland® Business. You will, at your expense, periodically update, upgrade or replace the Technology and Hardware as we may require, and you will execute and comply with any additional documents and/or agreements necessary to implement such updates or upgrades. In connection with your use of the Technology and Hardware, you will pay us or our Designated Supplier then-current monthly Technology Fees in the manner described in the Operations Modules or otherwise in writing. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks. We may access financial information, customer data, and other produced by or otherwise located on your Technology and Hardware (collectively the "Customer Data").

9.19 Slumberland® Website
We or Slumberland, Inc. will establish and maintain an Internet website or home page (the "Slumberland® Website") to promote all Slumberland® businesses, and to advertise, promote and sell merchandise on the Internet. We or Slumberland, Inc. will determine features of the Slumberland® Website, including the domain name, content, features, graphics, video, audio, pictures, images, functionality, color schemes, designs, format, procedures and links to other websites. We and Slumberland, Inc. have the sole right to advertise Slumberland® businesses on the Internet, including e-mail marketing or other digital marketing (and any existing or future form of electronic communication), to sell merchandise directly to retail and/or wholesale customers via the Internet under the "Slumberland®" name and the Marks, to create a website or home page

containing the "Slumberland®" name and the Marks, and to use "slumberland.com" or any derivative or related domain name. We and Slumberland, Inc. will have the right to modify, enhance, suspend or temporarily or permanently discontinue the Slumberland® Website at any time, in our sole discretion, by giving you 15 days written notice. You will not have the right to establish a website or home page on the Internet to advertise or promote your Slumberland® Business and will not have the right to use the name "Slumberland®" on any website or home page. We and Slumberland, Inc. reserve the right, after giving you at least 30 days prior written notice, to charge you fees for the costs associated with the operation and maintenance of the Slumberland® Website, as described in the Operations Modules. Your Business will be removed from the Slumberland® Website immediately upon the termination or expiration of this Agreement.

9.20 Revenue Sharing for Slumberland® Website

Notwithstanding the terms of Section 9.19 of this Agreement, you will comply with our then-current policy relating to compensation for sales made to customers via the Slumberland® Website as described in the Operation Modules. Currently, if your Business delivers certain merchandise purchased from the Slumberland® Website, you will receive a certain portion of the gross revenues associated with the internet sale, as described in the Operations Modules. In certain circumstances, internet sales may include sales made by other company-owned or franchised Slumberland® businesses, and the portion of gross revenues owed to your Slumberland® Business if you deliver or service the sale will be described in the Operations Modules. We may change or eliminate the portion of gross revenues you receive at any time.

9.21 E-Mail Address; Intranet Use; Social Media Participation

Slumberland, Inc. will provide an e-mail address to you for your Slumberland® Business for the term of this Agreement to be used as a method for you and us to communicate with each other and to transmit documents and other information. Your right to use the e-mail address will terminate immediately if this Agreement is terminated or expires. If we develop an Intranet network through which we and our franchisees can communicate by e-mail or similar electronic means, then you will use the Slumberland® Intranet in strict compliance with this Agreement, the Operations Modules or otherwise in writing by us. You will not make any derogatory, defamatory or libelous statements in any transmission made via the Internet, through an Intranet network or by any other means. You must participate in any social media, social networking or geolocation platforms ("Social Media Sites") that we prescribe in the Operations Modules. We have the right to determine the content and use of any Social Media Site, and will establish the rules under which you must participate. Any Social Media Sites developed for the operation of the Business may not link, directly or indirectly, to your personal information or any social media you, your Managers, employees or agents personally participate in outside of the operation of the Business. Except as described in the Operations Modules, you, your Managers, employees and agents may not use any of the Marks or market, advertise or promote your Business using social and professional networking sites. Since your reputation is important to the operation of Slumberland® businesses, you also must adhere to our social media guidelines for any social media pages you participate in or operate, including but not limited to pages you maintain individually, as described in the Operations Modules. You must advertise certain promotions, as we require, on your Social Media Sites. Your right to participate in Social Media Sites will terminate when this Agreement expires or terminates, or upon revisions to the Operations Modules regarding Social Media Sites. We may suspend your access to Social Media Sites if you are in default under this Agreement.

9.22 Limitation on Products and Services

You will only offer and sell the Products and Services specified in the Operations Modules or that we have approved in writing. You will not, under any circumstances, have the right to offer or sell any merchandise, goods, sundries, products, items or services that are not specified in the

Operations Modules or otherwise approved by us in writing. You will offer and sell all of the Products and Services specified in the Operations Modules or otherwise approved by us in writing. You will maintain sufficient inventories of the Products and Services necessary to realize the full economic potential of your Slumberland® Business. You will only offer for sale and sell the Products and Services on a retail basis (to the end user) at the Franchised Location, and will not sell any Products and Services under the Marks or the Business System (a) on a wholesale basis (for resale to another retailer or wholesaler), (b) on a retail basis at or from any other location other than the Franchised Location, (c) by means of the Internet, catalogue sales, mail order sales, infomercials or telemarketing, or (d) by any other means or methods of sales or distribution. You will conform to all customer service standards and policies we require in writing. You will honor the warranties, guaranties and commitments to your customers we require as described in the Operations Modules or otherwise in writing for all Slumberland® businesses. You have the absolute right to sell all Products and Services at whatever prices and on whatever terms you deem appropriate. You will, at your sole expense, use and employ in your Slumberland® Business, the inventory purchasing and distribution systems that we may periodically require for use in Slumberland® Businesses, including inventory purchasing and distribution methods and systems that will use the Slumberland® distribution centers, all of which may affect your freight and delivery charges and expense.

9.23 Approved Suppliers

You will purchase from Approved Suppliers the Products and Services which are to be used or sold by you and which we determine must meet the standards of quality and uniformity required to protect the valuable goodwill and uniformity symbolized by and associated with the Marks and the Business System. Except for mattresses and any Products or Services where there is a Designated Supplier, you have the right and option to purchase such Products and Services from other suppliers or distributors provided that their Products and Services conform in quality to our standards and specifications, the supplier or distributor conforms in quality and uniformity to our standards and specifications and supplier's or distributor's business reputation, delivery performance, credit rating, and other factors we specify are satisfactory. You must obtain our written approval in accordance with the Operations Module before you sell, offer or use any unapproved Products and Services. We have the right to require that any new or existing Approved Supplier sign a contract containing terms and conditions acceptable to us, including those relating to pricing, delivery, terms, product availability, economic viability, service and quality. We or our Affiliate may be an Approved Supplier and sell Products and Services to you at a profit. You will have the right to purchase designated brand products that will be offered for sale to customers from any supplier without our approval.

9.24 Designated Supplier

You may be required to purchase certain Products and Services specified in the Operations Modules or otherwise in writing by us only from a Designated Supplier. You will not have the right to purchase those Products and Services from any other supplier or distributor. We or our Affiliate will or may be a Designated Supplier for certain Products and Services (including the Technology and Hardware and Slumberland® brand name merchandise), and sell those Products and Services to you at a profit. You will not have the right to substitute any new supplier or distributor for any Designated Supplier or to request or require us to review, appoint or approve any new supplier or distributor as a Designated Supplier. We will have the right to require that a Designated Supplier sign a contract containing terms and conditions acceptable to us, including those relating to pricing, delivery, terms, product availability, economic viability, service and quality. You will execute a copy of the Security Agreement attached as an exhibit to this Agreement for the Slumberland®-brand name and any other merchandise purchased by you from Slumberland, Inc. You will execute a UCC-1 Financing Statement and other documents as may be reasonably required by Slumberland,

Inc.'s attorneys to perfect and record Slumberland, Inc.'s security interest in the merchandise purchased by you from Slumberland, Inc.

9.25 Payments to Us

You acknowledge and agree that we or our Affiliate may receive commissions, volume discounts, purchase discounts, performance payments, signing bonuses, rebates, marketing and advertising allowances, co-op advertising, administrative payment enhancements, price discounts, economic benefits and other payments ("Supplier Payments") based upon purchases of Products and Services made by you from Designated Suppliers, Approved Suppliers and/or other suppliers, vendors and distributors ("Supplier" or "Suppliers"). Any Supplier Payments we or our Affiliates receive from any Supplier as a result of or based on your purchases from that Supplier will be the exclusive property of us or our Affiliate, we may make a profit on the Supplier Payments, and you will not have any right to any Supplier Payments we or the Affiliate receive from that Supplier or any other Supplier. If we are a Supplier for any of the Products and Services, then any Payments made to us that are based on the purchase of Products and Services made by you from us will be our exclusive property. You will not, under any circumstances, have the right to receive or claim the right to any portion of any Payments we or our Affiliate receive from any Supplier for the sale of any Products and Services we or our Affiliate purchase from any Supplier and thereafter re-sold to you by us or our Affiliate.

9.26 Generative AI

You acknowledge and agree that you will not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("Generative AI") directly or indirectly in the operation of the Business, including without limitation, in advertising, promotion, or marketing of the Business, communications with customers, business planning, analysis or optimization, or in any social media. You acknowledge and agree that you will not to upload or share any confidential information concerning the Business System (including any inputs of information containing trade secrets, sensitive confidential information or personal information) with any unapproved third-party platforms, including Generative AI, except as authorized in writing by us. In addition, you shall prohibit your employees from using any confidential information in Generative AI. In the event you utilize any Generative AI, with or without our prior approval, you shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon the intellectual property of a third party, or use such intellectual property without appropriate authorization and attribution.

ARTICLE 10
INSURANCE

10.1 Insurance Requirements

You must purchase and maintain in full force and effect, at your sole cost and expense, all of the minimum insurance coverage described in the Operations Modules or as otherwise provided to you in writing, as well as any other insurance coverage required by law. Insurance may include: general liability insurance, vehicle insurance, umbrella liability insurance, property insurance, business interruption insurance, and workers' compensation insurance. We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation, changes in relevant circumstances, industry standards, experiences in the Business System, higher damage awards or changes in standards of liability. Your obligation to obtain and maintain these insurance policies in the minimum amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Article 18. Your insurance procurement obligations under this Article are separate and

independent of your indemnity obligations**.** We do not represent or warrant that any insurance that you are required to purchase will provide you adequate coverage. The requirements of insurance specified in this Agreement are for our protection. You should consult with your own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the minimum coverage and limits required by us.

10.2 Our Rights

All insurance policies you procure and maintain in connection with the Business must name us and our Affiliates and their respective officers, directors, and employees as an additional named insured, will contain endorsements by the insurance companies waiving all rights of subrogation against us, and will stipulate that we will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least 30 days prior to the effective date of such cancellation, nonrenewal or coverage change. All liability insurance policies procured and maintained by you will require the insurance companies to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against you, us, and our respective officers, directors, employees and agents.

10.3 Insurance Companies; Evidence of Coverage

All insurance companies providing coverage to you and your Business and the companies must be licensed in the state where coverage is provided. You must provide us with written proof of insurance in the form we require evidencing that you have obtained the required insurance coverage no later than 60 days after the Effective Date or the date you open for business, whichever is earlier, and you will immediately provide, upon expiration, change or cancellation, updated proof of insurance to us.

ARTICLE 11
FINANCIAL STATEMENTS, GROSS REVENUES REPORTS, FORMS AND ACCOUNTING

11.1 Quarterly and Annual Financial Statements

You will, at your expense, provide us with quarterly and annual Financial Statements for your Slumberland® Business. All Financial Statements prepared by you will be formatted in the manner we require, and will be categorized according to the chart of accounts we develop and approve, as described in the Operations Modules. If your annual Financial Statements are not audited by an independent certified public accountant, then they must be verified by your President, Chief Executive Officer or Chief Financial Officer, or if you are not a corporation then by you or the person responsible for managing your Business. Your quarterly Financial Statements will be delivered to us within 30 days after the end of each quarter, and your annual Financial Statements will be delivered to us within 75 days after your fiscal year end. In addition, we require that you provide us with certain key financial metrics for the prior calendar year, as described in the Operations Modules.

11.2 Tax Returns

Within 90 days after your fiscal year end, you will provide us with signed copies of your annual federal and state income and sales tax returns for your Slumberland® Business and, at our request, of each of your Personal Guarantors, and copies of any other federal, state or local tax returns filed by you including, but not limited to, any amended tax returns filed by you, together with written proof that you have paid all taxes due.

11.3 Monthly Statement of Gross Revenues

You will maintain an accurate written records of the daily Gross Revenues for your Slumberland® Business in the point-of-sale system. We will access your financial information for the preceding month in the point-of-sale system and generate a report of your total Gross Revenues.

11.4 Copies of Invoices

You hereby acknowledge that we have the right to request that your suppliers provide us with copies of all invoices for the purchases made by you, and you hereby authorize us to direct your suppliers to provide us with copies of such invoices. Your suppliers may accept this Agreement as evidence of our right to request that we be provided with copies of the invoices for the purchases made by you, and this Agreement will constitute the authority from you for your suppliers to provide us with copies of all invoices for the purchases made by you.

11.5 Our Audit Rights

Within three days after receiving notice from us, you and your accountants will make all of the Business Records of your Business available to us for review and audit by us or our designee, and the Business Records for each fiscal year will be kept in a secure place by you and will be available for audit by us for at least the last five years. You will provide us with adequate facilities to conduct the audit, including working area with a desk and chair at the Franchised Location or your accountants' offices. Instead of or in addition to the foregoing, you will, upon our written request, make photocopies of all Business Records we request and forward them to us or our authorized representatives at such address as we designate in writing. We will reimburse you for the reasonable cost of photocopying documents that we request. If an audit by us results in a determination that your Gross Revenues were understated by more than 2% for any month, quarter or year, then you will, within 10 days of receipt of an invoice from us indicating the amounts owed, pay us for all past due Continuing Fees or other amounts owed to us, and all costs and expenses (including salaries of our employees, Travel Expenses and audit fees) incurred by us for the audit of your Business Records, including any fees paid to its outside accountants or consultants to conduct the audit.

ARTICLE 12
CONFIDENTIAL INFORMATION

12.1 Confidential Information

You and us expressly understand and agree that we will be disclosing and providing to you confidential information concerning the Business System and the procedures, trade secrets, operations and data used in connection with the Business System including the Operations Modules. You will not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any person or Entity any such confidential and proprietary information, knowledge or know-how concerning the methods of operation of your Slumberland® Business which may be communicated to you, or of which you may be apprised by virtue of this Agreement. You will divulge such confidential and proprietary information only to your employees that must have access to it in order to operate your Slumberland® Business. Any and all information, knowledge and know-how including, without limitation, drawings, client lists, materials, plans, equipment, technology, methods, procedures, specifications, techniques, teaching methods, computer programs, systems, Operations Modules, and other data which we designate as confidential and proprietary will be deemed confidential and proprietary for purposes of this Agreement. Neither you nor your employees will make any copy, duplication, record or reproduction of any confidential information, or any portion thereof, available to any unauthorized person.

12.2 Improvements.

If you or the Owners develop any new or revised concept, product, trademark, service mark, branding concept, process or improvement in or related to the operation or promotion of the Slumberland® Business or the Business System or the Marks ("Improvements"), then you will promptly provide us with a detailed summary of the Improvements. You and the Owners acknowledge and agree that: (a) all Improvements made by you and the Owners are our property; (b) you will execute and deliver any documents or instruments required by us to memorialize or evidence our ownership of the Improvements; (c) we will have the right to incorporate any or all of the Improvements into the Business System and/or the Marks; and (d) we will have the right to use and authorize our Affiliates and franchisees to use any or all Improvements in the operations of any or all Slumberland® businesses owned, operated, licensed or franchised by us or our Affiliates without any compensation to you.

12.3 Trade Secrets

You understand and agree that you will come into possession of certain of our trade secrets concerning the manner in which we conduct business including, but not necessarily limited to: methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; and any materials clearly marked or labeled as trade secrets. You agree that the forgoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to us. You agree that we derive independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by another person. You agree to take reasonable measures, as may de described further in the Operation Modules, to keep such information secret. Upon termination of this Agreement, you will not use, sell, teach, train, or disseminate in any manner to any other person, firm, corporation, or association any trade secret pertaining to our business and/or the manner in which it is conducted.

12.4 Confidentiality Agreements

All of your employees who have access to the Operations Modules, trade secrets, and other confidential or proprietary information must sign agreements, in the form attached as an exhibit to this Agreement, agreeing to maintain the confidentiality, during the course of their employment and thereafter, of all information designated by us as confidential and proprietary. Copies of such executed agreements will be submitted to us upon request.

12.5 Customer Data

You acknowledge and agree that we control the use of Customer Data related to your Business. You shall only use the Customer Data as a processor as necessary to your Business for the term of this Agreement unless you obtain our prior written approval. You have no right to sell, transfer, sublicense or otherwise share Customer Data to or with any third party, unless you obtain our prior written approval. You will comply with all directives and terms in the Operations Manual respecting your use of the Customer Data. We may access Customer Data on your Technology and Hardware and at the Business premises and you will allow us to audit your records to confirm compliance with these provisions. You must provide to us usernames and passwords to access your Technology and Hardware. You are solely responsible for protecting Customer Data from cyber-attacks or unauthorized access, and you waive any claim you may have against us as the direct or indirect result of such attacks or unauthorized access. You must comply with all applicable federal, state, provincial and local laws and regulations concerning the storage, handling, use and protection of Customer Data. In addition, you must comply with any data protection and breach response policies we periodically may establish and must not use or disclose Customer Data in a manner that would cause us to be in violation of our published privacy policy. You must notify us immediately of any

actual or suspected data breach or cyber-attack at or in connection with your Business and/or Customer Data.

12.6 Personnel Data.

Each party is an independent data controller of, or, if applicable, a business in relation to, the personal data or information relating to the other party's employees, contractors and/or executives it collects and processes and each party will comply with all applicable laws and regulations in relation to the same. The parties will enter into a separate data sharing agreement or processing agreement to the extent and as required by applicable law.

12.7 Remedies

You acknowledge that the provisions of this Article 12 are reasonable and necessary for the protection of us and our franchisees. If you violate any of the provisions contained in this Article 12, then we will have the right to: (a) terminate this Agreement as provided for in Article 16; (b) seek injunctive relief from a court of competent jurisdiction; (c) commence an action or lawsuit against you for Damages; and (d) enforce all other remedies or take such other actions against you that are available to us under this Agreement, common law, in equity and any federal or state laws. Notwithstanding any other provision of this Agreement or the Operation Modules, you may, in accordance with any applicable law which includes but is not limited to the federal Defend Trade Secrets Act, disclose confidential information (a) in confidence, to federal, state, or local government officials, or to your attorney of, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure.

ARTICLE 13
YOUR COVENANTS NOT TO COMPETE

13.1 In-Term Covenant Not to Compete

You, your Owners and the Personal Guarantors will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or Owner of any other person or Entity, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or Entity that is engaged in the business of marketing beds, mattresses, bedroom furniture, sofas, reclining chairs or other upholstered furniture, or any other business that is in any way competitive with or similar to a Slumberland® business, except with our prior written consent.

13.2 Post-Term Covenant Not to Compete

You, your Owners and the Personal Guarantors will not, for a period of one year after the termination or expiration of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or Owner of any other person, Entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or Entity engaged in the business of marketing beds, mattresses, bedroom furniture, sofas, reclining chairs and other upholstered furniture, or any other related business that is in any way competitive with or similar to a Slumberland® business which is located: (a) within the Protected Area; (b) within the protected area of any other Slumberland® business; or (c) within any protected area granted by us or our Affiliate pursuant to any franchise, development, license or other territorial agreement. You, your Owners and the Personal Guarantors expressly agree that the time and geographical limitations set forth in this provision are reasonable and necessary to protect us and our franchisees if this Agreement expires or is terminated by either party for any reason.

13.3 Injunctive Relief

You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Article 13 or of your obligations described in Article 12.1, and that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Article 13, or of your obligations described in Article 12.1 The covenants stated in this Article 13 will survive the termination or expiration of this Agreement.

ARTICLE 14
TRANSFER

14.1 Transfer by Us

We may unilaterally Transfer this Agreement without your approval or consent. We will provide you with written notice of any Transfer of this Agreement within 45 days after the closing date. The assignee of this Agreement will be required to fully perform our obligations under this Agreement.

14.2 Transfer by You to Entity

In the event you are an individual or partnership, you may Transfer this Agreement without first offering it to us, pursuant Article 14.8 below, to an Entity that you own or control without paying any Transfer Fee, provided that: (a) the Owners and their spouses have signed the Personal Guaranty in the form contained in this Agreement; (b) you furnish written proof to us 15 days before the Transfer substantiating that the assignee Entity will be financially able to perform all of the terms and conditions of this Agreement; and (c) none of the Owners owns, operates, franchises, develops, manages or controls any business that is in any way competitive with or similar to a Slumberland® Business. The Transfer of this Agreement under this Article 14.2 will not be valid or effective until we have received the documents which our attorneys deem reasonably necessary to properly and legally document the Transfer of this Agreement to the Entity.

14.3 Transfer upon Death or Disability

If you are an individual, then in the event of your death or permanent disability, this Agreement may be Transferred to any designated person or beneficiary without first offering us the right to acquire this Agreement pursuant to Article 14.8 of this Agreement and without the payment of any Transfer Fee. However, the Transfer of this Agreement to your transferee, assignee or beneficiary will be subject to the applicable provisions of Article 14.4, and will not be valid or effective until we have received the properly executed legal documents which our attorneys deem necessary to properly and legally document the Transfer of this Agreement. Furthermore, the transferee, assignee or beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of your obligations under this Agreement.

14.4 Approval of Transfer

Subject to the provisions of Article 14 of this Agreement, you must obtain our prior written approval before a Transfer of any interest in: (1) your Slumberland® Business; (2) the Franchise; (3) this Agreement; (4) your Franchise Assets; or (5) any Ownership Interest in you. We will not unreasonably withhold our consent to any such Transfer, provided that you and/or the transferee franchisee comply with the following conditions:

(a) You will have complied in all respects with Article 14.8 of this Agreement;

(b) All of your monetary obligations due to us or our Affiliates have been paid in full, and you are not otherwise in default under this Agreement;

(c) You have executed a written agreement, in a form satisfactory to us, in which you agree to observe all applicable provisions of this Agreement, including the provisions with obligations and covenants that continue beyond the expiration or termination of this Agreement which includes the covenants not to compete contained in ARTICLE 13 of this Agreement, and such other ancillary agreements as we may require for the Transfer of your Slumberland® Business;

(d) You and your Owners sign a general release of Claims, in a form acceptable to us, of all claims against us and our Affiliates, officers, directors, employees or agents;

(e) The transferee franchisee does not, and does not intend to, own, operate or be involved in any business that competes directly or indirectly with or is similar to a Slumberland® Business;

(f) The transferee franchisee has demonstrated to our satisfaction that he, she or it meets our managerial, financial and business standards for new franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the Slumberland® Business in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise);

(g) The transferee franchisee and all parties having a legal or beneficial interest in the transferee franchisee, including, if applicable, the transferee franchisee's Owners and Personal Guarantors as required by us, execute our then-current standard Franchise Agreement for a term ending on the date of the expiration of this Agreement and such other ancillary agreements as we may require for the Transfer of your Slumberland® Business. The transferee franchisee will not be required to pay any Initial Fee and will pay the monthly Continuing Fees and the minimum monthly Continuing Fees to us as set forth in this Agreement. The transferee franchisee will be required to pay all additional fees and to comply with all other provisions not specified or provided for in this Agreement but which are required pursuant to the terms of the then-current standard Franchise Agreement;

(h) Prior to the date of Transfer, the transferee franchisee and/or its Manager must successfully complete the training program prescribed by us, and the transferee franchisee will provide and pay for the room and board of the persons attending our training program, will pay the Salaries and Benefits, Travel Expenses and all other expenses for all persons sent to our training program, and will pay the then-current Training Fee to us for each person attending our training program;

(i) The transferee franchisee has purchased the Franchised Location, acquired the Lease for the Franchised Location or otherwise acquired possession of and access to the Franchised Location for a term consistent with the remaining term of this Agreement; and

(j) You have paid the $5,000 Transfer Fee (in the event of a Transfer of any Ownership Interest in you) or $10,000 Transfer Fee (in the event of any other Transfer) before the date of the Transfer for the costs incurred by us for attorneys' fees, accountants' fees, compliance with applicable laws, out-of-pocket expenses, long distance telephone calls, administrative costs and the time of our employees and officers;

provided that we will waive the Transfer Fee for any Transfer to an Immediate Family Member.

We may expand upon, and provide more details related to, the conditions for Transfer and our consent as described in this Article 14, and may do so in the Operations Modules or otherwise in writing. You acknowledge and agree that the restrictions imposed by us on the Transfer of this Agreement are reasonable and necessary to protect the goodwill associated with the Business System and the Marks, as well as our reputation and image, and are for the protection of us, you and all other franchisees that own and operate Slumberland® businesses. Any Transfer of this Agreement permitted by this Article 14 will not be effective until we receive fully executed copies of all documents relating to the Transfer, and we have consented in writing to the Transfer.

14.5 Transfer to Competitor Prohibited

You will not Transfer this Agreement to any person or Entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any business that is in any way competitive with a Slumberland® Business.

14.6 Bankruptcy Issues.

If you or any person or entity holding any Ownership Interests (direct or indirect) in you becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any Transfer of your obligations and/or rights hereunder, any material assets of you, or any indirect or direct interest in you will be subject to all of the provisions of this Article 14.

14.7 Sale of Capital Stock to Public

If you are a corporation intending to sell any part of your authorized capital stock to the public pursuant to either federal or state securities laws, you will provide us with a copy of the proposed offering circular or prospectus for its review at least 30 days prior to the time that the offering circular or prospectus is filed with any state securities commission or the United States Securities and Exchange Commission. The shareholders who own your capital stock prior to the public offering will, at all times, retain at least a 51% ownership of the issued and outstanding shares of stock of you. We will have the right to attend all "due diligence" meetings held in preparation for the offer to sell your capital stock to the public, and you will give us at least five business days prior written notice of such meetings. You will not offer your capital stock by use of the name "Slumberland®", or any names deceptively similar thereto. You will not sell your capital stock to the public or to any other person or Entity until you have complied in all respects with the provisions of this Agreement.

14.8 Our Right of First Refusal

If you or your Owners at any time desire to Transfer: (1) any interest in or any part of the Franchise, the Business or this Agreement, (2) an ownership interest in you, or (3) your Franchise Assets, you or your Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. The written offer to us must contain all material terms and provisions of the proposed sale or assignment, including the total offer price. We have the right, exercisable by written notice delivered to you or your Owners within 30 days following receipt of the proposed offer, to purchase the respective interests and assets for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of 60 days to prepare for closing. If we waive (in writing) or fail to exercise our right of first refusal, you or your Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Owners otherwise comply with this Article 14. If the sale to the proposed purchaser is not completed within 120 days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have

the right of first refusal. Our nonacceptance of your or your Owners' written offer will not affect or change your or your Owners' obligations under this Agreement. Our rights under this Article 14.8 and all other Articles are fully assignable.

14.9 Guaranty

All of your Owners (if you are a corporation, partnership or other entity) and their spouses will sign the Personal Guaranty in the form contained in this Agreement. Any person or entity that at any time after the date of this Agreement becomes an Owner of yours under the provisions of this Article 14 or otherwise will, as a condition of becoming an Owner, sign the Personal Guaranty.

ARTICLE 15
YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within 60 days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

ARTICLE 16
OUR TERMINATION RIGHTS; DAMAGES

16.1 Conditions of Breach

In addition to our other rights of termination contained in this Agreement, we will have the right to terminate this Agreement if: (a) you fail to open and commence operations of your Slumberland® Business within 12 months after the Effective Date; (b) the operation, maintenance or construction of the Business results in a threat or danger to the public health or safety; (c) you fail to conform to the Business System or the standards of uniformity and quality for the products and services promulgated by us in connection with the Business System; (d) you fail to timely pay any uncontested obligations or liabilities due and owing to us, our Affiliates, suppliers, banks, purveyors, other creditors or any federal, state or municipal government (including, if applicable, federal and state taxes), including payment of any Continuing Fees; (e) you are deemed insolvent within the meaning of any state or federal law, any involuntary petition for bankruptcy is filed against you, or you file for bankruptcy or are adjudicated a bankrupt under any state or federal law; (f) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (g) any check issued by you is dishonored because of insufficient funds (except where the check is dishonored because of a bookkeeping or accounting error) or closed accounts; (h) you fail to pay for the leasehold improvements or the FF&E required for your Slumberland® Business prior to the opening of your Business; (i) the Lease for the Franchised Location is terminated or canceled for any reason, or you otherwise lose possession of all or a significant portion of the Franchised Location; (j) you or any of your Managers, partners, directors, officers or majority Owners are convicted of, or plead guilty or no contest to a charge of violating any law relating to the Business, or any felony; (k) you voluntarily or otherwise "Abandon," as defined in Article 26.1, the Business; (l) you are involved in any act or conduct which materially impairs the goodwill associated with the name "Slumberland®," any other Marks or the Business System; (m) you or any of your Managers, directors, officers or any Owner makes a material misrepresentation or omission in the franchise application or information provided in connection with the franchise application; (n) you violate any federal, state or local government law in connection with the operation, maintenance or construction of the Business; (o) you fail to comply with any term, provision or condition of this Agreement; or (p) you willfully and materially falsify any

report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise.

16.2 Procedure for Curable Defaults

Except as described below, you will have 30 days, or such longer period as applicable law may require, after your receipt from us of a written "Notice of Termination" within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the 30 day period, or such longer period as applicable law may require, expires. You will have 15 days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under Article 16.1(d) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the 15 day period expires, or such longer period as applicable law may require. You will have 24 hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under Article 16.1(n) and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the 24 hour period expires, or such longer period as applicable law may require.

16.3 Our Immediate Termination Rights

We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any 12 month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; or (4) any default under (b), (e), (f), (g), (i), (j), (k), (l), (m), or (p) in Article 16.1.

16.4 Damages

If we terminate this Agreement pursuant to this Article 16 or you wrongfully terminate this Agreement, then we will be entitled to seek recovery from you for all Damages that we have sustained and will sustain in the future as a result of your breach of this Agreement, taking into consideration the Continuing Fees and other fees that would have been payable by you for the remaining term of this Agreement. Nothing in this Article 16 will preclude us from seeking other Damages or remedies under state or federal laws, common law or under this Agreement against you including, but not limited to, attorneys' fees, costs, expenses, interest, and injunctive relief.

16.5 Continuing Obligations.

If this Agreement is terminated because of your default, you will not be released or discharged from your obligations, including payment of all fees then due and other amounts which would have become due under this Agreement if you had continued the operation of the Business for the full term of this Agreement. Our remedies will include the right to collect the present value of these amounts and to receive the benefit of its bargain with you, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to us or any of our Affiliates. It would be commercially unreasonable and damaging to the integrity of the Business System if a franchisee could default and then escape the financial consequences of its contractual commitment to meet payment obligations for the term of a franchise agreement. You will sign a general release of Claims if we chose to waive our rights to collect any amounts that would have become due if you had continued in business for the term of this Agreement.

ARTICLE 17
YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

17.1 Termination of Use of Marks; Other Obligations

In the event this Agreement is terminated for any reason or this Agreement expires without you reacquiring the Franchise for the Franchised Location, then you will: (a) within five days after termination, pay all amounts due and owing to us or our Affiliates under this Agreement; (b) immediately return to us by first class prepaid United States mail all Operations Modules, advertising materials and all other printed materials pertaining to your Slumberland® Business; (c) immediately inform your suppliers in writing of the termination of your right to operate a franchised Slumberland® Business; and (d) comply with all other applicable provisions of this Agreement. Upon expiration or termination of this Agreement for any reason, your right to use or be associated with the name "Slumberland®," the other Marks, the Slumberland® Website, the e-mail address for your Slumberland® Business, and the Business System will terminate immediately.

17.2 Alteration of Franchised Location

If this Agreement expires or is terminated for any reason or if the Franchised Location ever ceases to be used as a Slumberland® Business, then you will, at your expense, alter, modify and change, both the exterior and interior appearance of the Franchised Location so that it will be easily distinguished from the standard appearance of a Slumberland® Business. At a minimum, such changes and modifications to the Franchised Location will include: (a) re-painting and, where applicable, recovering both the exterior and interior of the Franchised Location, including removing any distinctive colors and designs from the walls; (b) removing all fixtures and other decor items and replacing them with other decor items not of the general type and appearance customarily used in Slumberland® businesses; (c) removing all exterior and interior Slumberland® signs; and (d) immediately discontinuing use of approved wall decor items and window decals, and refraining from using any items which are confusingly similar.

17.3 Transfer of Directory Listings

Upon termination or expiration of this Agreement, we will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of your right to use all telephone numbers and all classified and other directory listings under the "Slumberland®" name and to authorize the telephone company and all listing agencies to transfer to us or our assignee all telephone numbers and directory listings of your Slumberland® Business. You acknowledge that we have the absolute right and interest in all of the telephone numbers and directory listings associated with the Marks, and you hereby authorize us to direct the telephone company and all listing agencies to transfer all of your telephone numbers and directory listings to us or our assignee if this Agreement expires or is terminated for any reason whatsoever. The telephone company and all listing agencies will have the right to accept this Agreement as evidence of our exclusive rights to such telephone numbers and directory listings and this Agreement will constitute the authority from you for the telephone company and listing agency to transfer all such telephone numbers and directory listings to us. You will provide us with a written assignment of the telephone numbers listed under the name "Slumberland®" or any of the other Marks in the form attached as an exhibit to this Agreement. You will not make any Claims or commence any action against the telephone company and the listing agencies for complying with this provision.

17.4 Our Right to Purchase Franchise Assets

Upon termination or expiration of this Agreement for any reason, we will have the right, but not the obligation, to purchase the usable Franchise Assets. We will not have the obligation to purchase any assets from you that are not part of the standard Slumberland® Business. Within two business days after this Agreement expires or is terminated, you must give us written notice of the cost and

your asking price for each of the Franchise Assets. If you fail to give us written notice of the asking price of the Franchise Assets or if we and you cannot agree on the price of the Franchise Assets, then either party will have the right to demand that the price of the Franchise Assets be determined by three independent appraisers chosen in the following manner: you will select one and we will select one, and these two appraisers will select a third appraiser. The decision of the majority of the appraisers shall be conclusive. The cost of the third appraiser will be shared equally by the parties. The appraisers may not include the value of the Lease for the Franchised Location if we give the arbitrator(s) written notice that it intends to exercise its right to assume the Lease under Article 19 of this Agreement. We will have the right, but not the obligation, to purchase any or all of the Franchise Assets from you for cash within 20 days after the fair market value of the Franchise Assets has been established by the appraisers in writing. We may set off against and reduce the purchase price by all amounts you owe to us. Nothing in this provision may be construed to prohibit us from enforcing the terms and conditions of this Agreement, including the covenants contained in Article 13

ARTICLE 18
INDEPENDENT CONTRACTOR; INDEMNIFICATION

18.1 Independent Contractors

You understand, acknowledge, and agree that you are an independent contractor. Neither you or we are the agent, legal representative, partner, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any reason. Neither you nor we will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary or other special relationship of or confidence between you and us. During the term of this agreement, you must hold yourself out to the public, identify yourself at the premises of the Franchised Location, and represent yourself in all dealings with your employees, contractors, customers, lessors, suppliers, public officials, and any other third party as an independent contractor. You must place notices of your status as an independent contractor on signs, forms, stationery, advertising, and other materials as we require in the Operations Module.

18.2 Operation of Business

You will be totally and solely responsible for the operation of your Slumberland® Business, and will hire, fire, schedule, compensate, control, supervise and manage all the employees, agents and independent contractors who work for or with you. You are solely responsible for the terms of their employment, compensation, and all personnel decisions respecting your Slumberland® Business employees without any influence or advice from us. You will be responsible for the acts of your employees, agents and independent contractors and will take all reasonable business actions necessary to ensure that your employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations including, but not limited to, all discrimination laws, sexual harassment laws and laws relating to the disabled. We will not have any right, obligation or responsibility to control, supervise or manage your employees, agents or independent contractors and will no way be involved in the operations of your Business. Any evaluation or inspection we conduct is not intended to exercise, and does not constitute, control over your day-to-day operation of the Business or to assume any responsibility for your obligations under this Agreement. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the Business System or the Marks in any way shifts any employee or employment related responsibility from you to us. You alone are responsible for the hiring, firing, training, scheduling, compensating, disciplining and supervising of all employees. As between us and you, you are solely responsible for the safety and well-being of your employees and the customers of the franchise business.

18.3 Indemnification and Attorneys' Fees

We will not be obligated to any person or Entity for Damages arising out of the operation of your Slumberland® Business that is conducted pursuant to this Agreement.

(a) Indemnification. You must indemnify and hold us and our subsidiaries, Affiliates, stockholders, members, directors, officers, employees and agents harmless against and will reimburse us and them for all Claims, Damages and Travel Expenses incurred by us in any lawsuit or proceeding brought against us arising out of, as a result of, or in connection with your Slumberland® Business or in connection with your employees' actions or inaction. You must defend us and our subsidiaries, Affiliates, stockholders, members, directors, officers, employees and agents against all Claims brought against us arising out of, as a result of, or in connection with your Slumberland® Business or in connection with your employees' actions or inaction, provided that upon notice to you, we have the right to use our own counsel and may control the investigation and defense of such Claim, but at your cost. In the event that we choose for any reason not to assume control of our own defense, you must consult regularly and cooperate fully with us and provide us with timely notice of all significant filings, discovery due dates, hearing, offers of settlement, and any other significant events involving the Claim.

(b) Attorneys' Fees. In addition, you will pay all costs and expenses incurred by us in enforcing any term, condition or provision of this Agreement or in seeking to enjoin any violation of this Agreement by you, including attorneys' fees and interest on such costs and expenses.

18.4 Continuation of Obligations

The indemnification and other obligations contained herein will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 19
LEASE AS SECURITY; TERMINATION OF LEASE

19.1 Our Review of Lease

If required by us or requested by you, the premises lease for the Franchised Location (the "Lease") will be submitted to us for our review prior to your execution of the Lease. We may reject the Lease for any reason, but the terms of the Lease must, at a minimum, give us the right to enter the premises to conduct inspections during regular business hours, and the right (but not the duty) to assume the Lease for the remaining term of the Lease in accordance with the provisions of this Article 19 if, prior to the expiration of the Lease, you are evicted by the Landlord or if this Agreement expires or is terminated by either us or you for any reason. You will have the Lease reviewed by your legal counsel and our review of the Lease will not be for the purpose of approving the legal aspects, economics or rental terms of the Lease. Accordingly, we will have no responsibility to you regarding the economics, legality or enforceability of the Lease.

19.2 Your Assignment of Lease

You hereby Assign and Transfer all of your right, title and interest in and to the Lease (which is incorporated herein by reference) to us as security for your performance of the terms and conditions of this Agreement. If an Event of Default occurs, then we will have the right and option, but not the obligation, to take and assume the Lease for the remaining term of the Lease under the same terms and conditions, including rental, as originally contracted for by you. You will execute a UCC-1 Financing Statement and other documents as may be reasonably required by our attorneys to perfect and record our security interest in the Lease.

19.3 Perfected Assignment; Notice

This Assignment and Transfer will constitute a perfected, absolute and present Assignment and Transfer; provided, however, we will have no right under this Assignment and Transfer to enforce the provisions of the Lease until an Event of Default has occurred. After an Event of Default has occurred, we will have the right, but not the obligation, to enforce the provisions of this Assignment and Transfer and to take possession of the Franchised Location by giving you and the Landlord written notice that it has affirmatively exercised our rights under this Assignment and Transfer. The written notice will state: (a) that we are taking and assuming the Lease from you; (b) the date that we will take physical possession of the Franchised Location; and (c) that we agree to be bound by the terms and conditions of the Lease being assumed for the remaining term of the Lease. We will execute the appropriate documents at the time we give written notice to you and the Landlord of our assumption of the Lease.

19.4 No Prior Assignment or Transfer

You represent and warrant that (a) there has been no prior Assignment and Transfer of the Lease, (b) have the right to Assign and Transfer the Lease, (c) the Lease is a valid and enforceable agreement, (d) neither the Landlord or you are in default to the other thereunder and (e) all covenants, conditions and agreements have been performed as required by the Lease. No change in the terms of the Lease will be valid without our written approval. You will not Assign and Transfer, or encumber your interest in the Lease so long as this Assignment and Transfer is in effect. During the term of this Agreement, you will not lease or sublease all or any part of the Franchised Location without our prior written consent.

19.5 Enforcement of Your Rights

You hereby irrevocably constitute and appoint us as your attorney-in-fact to demand, receive and enforce your rights with respect to the Lease, to make payments under the Lease and to give appropriate receipts, releases and satisfactions for and on your behalf and in your name or, at our option, in our name, with the same force and effect as you could do if this Assignment and Transfer had not been made.

19.6 Our Rights and Remedies

Upon taking physical possession of the Franchised Location, we may, without affecting any of our rights or remedies against you under any other instrument, document or agreement, exercise our rights under this Assignment and Transfer as your attorney-in-fact in any manner permitted by law and, in addition, we will have and possess, without limitation, any and all rights and remedies of a secured party under the Uniform Commercial Code, as enacted in the jurisdiction in which enforcement is sought, or otherwise provided by law.

19.7 Proration of Rents and Expenses

At the time we take physical possession of the Franchised Location, all charges, real estate taxes, utilities and rentals will be prorated between us and you. We will have no obligation to pay any of your past due obligations or arrearages to any person or Entity, including the Landlord.

19.8 Possession; Obligations of Us and You

We will hold you harmless from any and all obligations to the Landlord, including rental payments, arising out of the use of the Franchised Location from the date that we take physical possession of the Franchised Location. You will pay all amounts due to the Landlord and other parties under the Lease including, but not limited to, rentals, insurance, rental overrides, real estate taxes, repairs and maintenance, up to and including the date that we take physical possession of the Franchised Location. With the specific and limited exception of rental payments and other obligations to the

Landlord arising from our use of the Franchised Location after taking physical possession of the premises, you will indemnify and hold us harmless from and against any and all Claims to which we may become exposed, or which we may incur, in exercising any of our rights under this assignment.

19.9 Landlord's Consent to Assignment of Lease as Security

We will secure the Landlord's written consent to the provisions contained in this Article 19 in the form attached as an exhibit to this Agreement.

19.10 Assignment by Us

We will have the right to Assign and Transfer our right, title and interest in the Lease to any persons or Entities upon giving written notice to you and the Landlord without any consent whatever from you or the Landlord, and any such Assignment and Transfer will be valid and binding upon you and the Landlord as fully as if each had expressly approved the same. Subject to the limitation on further Assignment and Transfer by you contained in Article 19.4, this Assignment and Transfer will be binding upon and inure to the benefit of your heirs, legal representatives, assigns and successors in interest, us and the Landlord.

19.11 Lease Not Yet Executed

In the event that you have not yet entered into the Lease for the Franchised Location at the time this Agreement is executed, the provisions of Articles 19.2, 19.3 and 19.5 of this Agreement will take effect immediately upon the execution of the Lease. Your representations contained in Article 19.4 will be true and complete as of, and will be deemed to have been made at, the time the Lease is executed. You will execute all additional documents required by our attorneys to perfect the Assignment and Transfer of the Lease.

ARTICLE 20
DISPUTE RESOLUTION

20.1 Mediation

We and you believe it is in our best interests to resolve all disputes quickly and amicably. As a result, in the event of any Claim between you and us, or any of our or your Affiliates, arising out of, in connection with or relating to this Agreement (and attachments), any lease or sublease for the Business premises or Authorized Location, or the relationship created by this Agreement, we and you agree to meet face-to-face at our principal place of business at the time of the meeting to discuss the Claim within 30 days after receiving notice from the other party. Each party will bear its own costs and expenses relating to the meeting. Except as otherwise stated in this Article 20.1, if the parties cannot agree to settle any Claim through a face-to-face meeting, the parties agree to submit the Claim to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within 15 days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the city in which our principal place of business is located at the time the mediation is commenced. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve a Claim within 60 days after conferring with the mediator, either party may submit the Claim to arbitration as described in Article 20.2 Either party may bring a Claim under the applicable provisions of this Article 20 without first discussing the Claim face-to-face or submitting the Claim to mediation under this Article 20.1 only for: (1) amounts owed to the party or its Affiliates under this Agreement or any other agreement between the parties or their Affiliates; or (2) Claims involving the possession or

disposition of, or other relief relating to, real property. In addition, we may bring a Claim under the applicable provisions of this Article 20 without first discussing the Claim face-to-face or submitting the Claim to mediation for injunctive relief or to enforce our or our Affiliates' intellectual property rights, including without limitation those rights relating to the Marks.

20.2 Arbitration

Except for Claims for amounts you and your Affiliates owe to us or our Affiliates under this Agreement or any other agreement between the parties or their Affiliates, or for our right to seek injunctive relief as described in Article 21.1 below, any Claim must be submitted to binding arbitration under the authority of the Federal Arbitration Act. Unless the parties agree otherwise, there shall be a single arbitrator appointed to administer and rule on the dispute. The arbitrator must have at least five years of experience in franchise law. No party may consolidate its Claims with that of any other, and no consolidated, common or class arbitration will be permitted. The arbitration must take place in St. Paul, Minnesota, or at such other place as may be mutually agreeable to the parties. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court in Minnesota or the state of the Franchised Location. In addition, you will pay all costs and expenses incurred by us in any such arbitration and otherwise incurred by us in enforcing any term, condition or provision of this Agreement or in seeking to enjoin any violation of this Agreement by you, as described in Section 18.3(b) of this Agreement.

20.3 De Novo Hearing on Merits

If the arbitrator(s) award(s) either us or you monetary damages (including actual damages, costs and attorneys' fees) in excess of $200,000 in any arbitration proceeding commenced pursuant to this Agreement, then the party who has been held liable by the arbitrator(s) will have the right to a de novo hearing on the merits by commencing an action in a court of competent jurisdiction in accordance with the provisions of this Agreement. If the party held liable by the arbitrator(s) fails to commence a court action within 30 days after the issuance of the arbitration award in writing, then the arbitrator's(s') findings, judgments, decisions and awards will be final and binding on us and you.

20.4 Confidentiality

All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any arbitration hearing between us and you will be secret and confidential in all respects. We and you will not disclose the decision or award of the arbitrator(s) and will not disclose any evidence, testimony, records, documents, findings, orders, or other matters from the arbitration hearing to any person or Entity except as required by law.

20.5 Performance during Arbitration of Disputes

We and you will continue to perform our respective obligations pursuant to this Agreement during the arbitration of any dispute.

ARTICLE 21
ENFORCEMENT

21.1 Injunctive Relief

Notwithstanding the provisions of Article 20.2 of this Agreement, we will have the right to petition a court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of

specific performance enforcing the provisions of this Agreement relating to: (a) the Marks and the Business System; (b) the use or display of the Signs; (c) your obligations upon termination or expiration of this Agreement; (d) assignment of this Agreement, your Business or your Ownership Interests; (e) confidentiality of the Operations Modules and other materials; (f) your covenants not to compete; and (g) any act or omission by you or your employees that, (1) constitutes a violation of any applicable law, ordinance or regulation, (2) is dishonest or misleading to the customers of your Slumberland® Business or other Slumberland® businesses, (3) constitutes a danger to the employees, public or customers of your Slumberland® Business, or (4) may impair the goodwill associated with the Marks and the Business System. We will be entitled to receive injunctive relief against you without posting a bond or other security. You will indemnify us for all costs that we incur in any such court proceedings enforcing the provisions of this Agreement including, without limitation, attorneys' fees, expert witness fees, costs of investigation, court costs, litigation expenses, accounting fees, Travel Expenses, all other costs incurred by us, and interest on such costs, expenses, and fees.

21.2 Severability

All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

21.3 Waiver

We and you may, by written instrument signed by us and you, waive any obligation of or restriction upon the other under this Agreement. Acceptance by us of any payment by you and the failure, refusal or neglect of us to exercise any right under this Agreement or to insist upon full compliance by you of your obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure, will not constitute a waiver by us of any provision of this Agreement. We will have the right to waive obligations or restrictions for other franchisees under their Franchise Agreements without waiving those obligations or restrictions for you and, except to the extent provided by law, we will have the right to negotiate terms and conditions, grant concessions and waive obligations for our other franchisees without granting those same rights to you and without incurring any liability to you whatsoever.

21.4 Effect of Wrongful Termination

In the event that either we or you take any action to terminate this Agreement and/or to convert your Slumberland® Business to another business, without first complying with terms and conditions (including the written notice and opportunity to cure provisions) of ARTICLE 16 or ARTICLE 15 of this Agreement, as applicable, then such actions will not relieve either party of, or release either party from, any of its obligations under this Agreement, and the terms and conditions of this Agreement will remain in full force and effect until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law.

21.5 Cumulative Rights

Our rights hereunder are cumulative and no exercise or enforcement by us of any right or remedy hereunder will preclude the exercise or enforcement by us of any other right or remedy hereunder or which we are entitled by law to enforce.

21.6 Venue and Jurisdiction

Unless otherwise required by this Agreement or by applicable law to the contrary, all arbitration hearings, litigation, lawsuits, hearings, proceedings and other actions initiated by either party against the other party will be venued exclusively in St. Paul, Minnesota. You acknowledge that you and your officers, directors and employees have had substantial business and personal contacts with us in Minnesota. Consequently, you, and each of your officers, directors and Owners, and the Personal Guarantors do hereby agree and submit to personal jurisdiction in the State of Minnesota, and waive all rights to challenge personal jurisdiction and venue, for the purposes of any suit, proceedings or hearing brought to enforce or construe the terms of this Agreement or to resolve any dispute arising under, as a result of, or in connection with this Agreement, the Franchised Location or your Slumberland® Business, and do hereby agree and stipulate that any such arbitration hearings, suits, proceedings, hearings or other actions will be exclusively venued and held in St. Paul, Minnesota. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Personal Guarantors waive any and all rights to proceed on a consolidated, common, or class basis. We also have the right to file any such suit against you in the federal or state court where the Business is located. You acknowledge and agree that this Article shall survive the termination or expiration of this Agreement.

21.7 Waiver of Punitive Damages and Jury Trial

YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES.

YOU AND WE ALSO IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM US THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

21.8 Binding Agreement

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

21.9 Entire Agreement

This Agreement including any addenda, exhibits, related acknowledgments and amendments, constitutes the entire agreement between the parties with respect to the subject matter, and supersedes and terminates all prior agreements, either oral or in writing, between the parties involving the franchise relationship. Any representations, inducements, promises or agreements alleged by either us or you that are not contained in this Agreement will not be enforceable. There are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. The parties hereby acknowledge that this provision will not act as a disclaimer of the representations made by us in the Franchise Disclosure Document provided to you prior to your the execution of this Agreement.

21.10 References

The terms “include” and “including” also include the meaning “including without limitation.” The term “you” as used herein is applicable to one or more individuals, a corporation or a partnership, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine.

21.11 Interpretation of Rights and Obligations

The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

(a) Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the Business System in any manner that is not specifically precluded by the provisions of this Agreement.

(b) Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the Business System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the Business System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Business System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

21.12 Joint and Several Liability

If you consist of more than one individual, then the liability of all such individuals under this Agreement will be deemed to be joint and several.

21.13 Headings

The headings of the Articles are for convenience only and do not define, limit or construe the contents of such Articles.

21.14 No Oral Modification

No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made except by a written agreement signed by your duly authorized officer, director, Chief Manager, Chief Executive Officer, or partner and our Chief Executive Officer, President or a Vice President. You and we will not have the right to amend or modify this Agreement orally or verbally, and any attempt to do so will be void in all respects.

ARTICLE 22
NOTICES

All notices to us and you will be in writing and will be delivered by: (a) personal service upon an officer or director of us or you; (b) prepaid registered or certified United States mail; or (c) a recognized overnight delivery service (UPS, FedEx) that requires a written receipt acknowledging receipt by an employee of the addressee. All notices to us will be addressed to the attention of Mr. Kenneth S. Larson, Chief Executive Officer, Slumberland Franchising, Inc., at 3505 High Point Dr. No., Oakdale, Minnesota 55128, or such other address as we may designate in writing, with a copy to Elizabeth S. Dillon, Esq., Lathrop GPM LLP, 3100 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402. All notices to you will be addressed to the attention of your President (or such other person designated in writing by you) at the Franchised Location, or such

other address as you may designate in writing. Notices delivered by recognized delivery services that require written confirmation of delivery will be deemed to have been personally served under this Agreement. Any notice delivered in the manner specified herein will be deemed delivered and received, regardless of whether the recipient refuses to accept or fails to sign for the notice, if the notice is addressed and delivered to the recipient at the address set forth above or the last designated or known address of the recipient, and will be deemed effective upon written confirmation of delivery to the recipient or three business days after being mailed, whichever is applicable.

ARTICLE 23
ACKNOWLEDGMENTS

23.1 Business Risks; No Financial Projections

You acknowledge that you have conducted an independent investigation of the Slumberland® Business and recognize that the business venture contemplated by this Agreement and the operation of the Business involve business and economic risks. You acknowledge that the financial, business and economic success of your Slumberland® Business will be primarily dependent upon the personal efforts of you, your management and employees, on economic conditions in the area where the Franchised Location is located, and economic conditions in general. You acknowledge and agree that our officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity, and that no other persons and/or Entities other than us has or will have any duties or obligations to you under this Agreement. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential Gross Revenues, income, profits or earnings, expenses or the financial or business success of your Slumberland® Business, except as set forth in our Franchise Disclosure Document, a copy of which has been provided to you. ("Representations"). You further acknowledge that if you had received any such Representations, you would have not executed this Agreement, promptly notified our Chief Executive Officer or President in writing of the person or persons making such Representations, and provided to us a specific written statement detailing the Representations made.

23.2 No Income or Refund Warranties

We do not warrant or guarantee to you: (a) that you will derive income from your Slumberland® Business; or (b) that we will refund all or part of the Initial Fee or the price paid for your Slumberland® Business or repurchase any of the products, goods, services, or the FF&E supplied or sold by us or an approved supplier if you are unsatisfied with your Slumberland® Business.

23.3 Retaining of Legal Counsel

You acknowledge that we have strongly recommended to you that you should retain an attorney to review our Franchise Disclosure Document, including our Financial Statements and this Agreement, to review all leases, contracts, and other documents relating to the Slumberland® Business, and to advise you as to the terms and conditions of this Agreement, tax and other legal matters, and the potential economic benefits and risks of loss relating to this Agreement and the Slumberland® Business.

23.4 Training; Additional Assistance

You acknowledge that the information and materials provided to you or any of your employees, agents, officers and directors (a) while attending or participating in the Training, (b) at any on-site reviews and in any written reports of your Slumberland® Business, and (c) in conjunction with the Management Assistance provided to your Business, is not meant to be all-inclusive, does not constitute a legal opinion, and is not a substitute for consulting with legal, financial and other

advisors chosen by you regarding the management and operation of your Business and your required compliance with all laws, rules and regulations pertaining to the Business.

23.5 Other Franchises

You acknowledge that our other franchisees have or will be granted franchises at different times and in different situations, and further acknowledge that the terms and conditions of such franchises, including the economic terms, may vary substantially in form and in substance from those contained in this Agreement.

23.6 Receipt of Agreement and Franchise Disclosure Document

You acknowledge that you received a copy of this Agreement with all material blanks fully completed at least seven days prior to the date you executed this Agreement. You further acknowledge that you received a copy of our Franchise Disclosure Document at least 14 days prior to the date on which this Agreement was executed.

ARTICLE 24
DISCLAIMER; YOUR LEGAL COUNSEL

24.1 Disclaimer by Us

We expressly disclaim the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, or value of your Business that were not contained in the Franchise Disclosure Document received by you.

24.2 Acknowledgments by You

You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, value of the Business or any other matters pertaining to the Slumberland® Business from us or any of our officers, employees or agents that were not contained in the Franchise Disclosure Document received by you (hereinafter referred to in this provision as "Representations"). You further acknowledge that if you had received any such Representations, it would not have executed this Agreement, and you would have: (a) promptly notified our Chief Executive Officer or President in writing of the person or persons making such Representations; and (b) provided to us a specific written statement detailing the Representations made.

24.3 Legal Representation

You acknowledge that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon you. You have been advised by us to consult an attorney or other advisor prior to the execution of this Agreement to review our Franchise Disclosure Document, to review this Agreement in detail, to review all legal documents, to review the economics, operations and other business aspects of the Slumberland® Business, to determine compliance with franchising and other applicable laws, to advise you regarding all federal, state and local laws, rules, ordinances, special regulations and statutes that apply to your Business and to advise you regarding your economic risks, liabilities, obligations and rights under this Agreement.

ARTICLE 25
GOVERNING LAW; STATE MODIFICATIONS

25.1 Governing Law

Subject to our rights under the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) and the parties' rights under the Federal Arbitration Act, all claims arising out of or relating to this Agreement and/or the parties' relationship will be governed by, and will be interpreted in

accordance with, the substantive laws of the state in which the Franchised Location is located, irrespective of any conflict of laws. The parties agree that the Minnesota Franchise Act, or any other state law or regulation applicable to the offer or sale of franchises or the franchise relationship, will not apply unless the jurisdictional provisions are independently met. You waive, to the fullest extent permitted by law, the rights and protections provided by the Minnesota Franchise Act or any other franchise law or regulation. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by us and you.

25.2 State Modifications

Certain states have statutes which may supersede the provisions of this Agreement in your relationship with us. If the Franchised Location is located in any one of the states described below, or if the laws of any such state are applicable because you are domiciled in such state, or if the laws of any such state are otherwise applicable, then the designated provisions of this Agreement will be amended and revised as follows:

(a) **California.** If this Agreement is governed by the laws of the State of California, then: (1) any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of California Corporations Code Section 31512 or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043); (2) California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to you concerning termination of this Agreement upon certain bankruptcy-related events. If this Agreement is inconsistent with the law, the law will control; (3) this Agreement requires binding arbitration. The arbitration will occur in St. Paul, Minnesota, with the cost being borne by the parties as determined by the arbitrator. You are encouraged to consult with 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 this Agreement; and (4) this Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(b) **Illinois.** Illinois law governs the Franchise Agreement. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois. Your rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

(c) **Minnesota.** If this Agreement is governed by the laws of the State of Minnesota, then: (1) Article 2.2 and Article 16 of this Franchise Agreement are amended by adding the following sentences at the end of each Article: "Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes

Section 80C.14, subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement;" (2) Article 25.1 of this Agreement is amended to add the following sentence: "Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of you as provided for in Minnesota Statutes, Chapter 80C, including the right to submit non-arbitrable matters to the jurisdiction of the courts in Minnesota. Minnesota statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit Renew Crew from requiring litigation to be conducted outside Minnesota. and (3) notwithstanding any provisions of this Agreement to the contrary, a court of competent jurisdiction will determine whether we will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by us against you, your Owners or the Personal Guarantors.

ARTICLE 26
DEFINITIONS

For purposes of this Agreement, the following words will have the following definitions:

26.1 Abandon
"Abandon" will mean your conduct, including acts of omission as well as commission, indicating your willingness, desire or intent to discontinue operating the Slumberland® Business in accordance with the quality standards, uniformity requirements and the Business System as set forth in this Agreement and the Operations Modules.

26.2 Affiliate
"Affiliate" will mean any Entity or individual that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with us.

26.3 Approved Suppliers
"Approved Suppliers" will mean the suppliers or distributors that have been approved by us in the Operations Modules or otherwise in writing as a source for those Products and Services that we have determined must meet the standards of quality and uniformity required by us to protect the valuable goodwill and uniformity symbolized and associated with the Marks and the Business System.

26.4 Assignment and Transfer
"Assignment and Transfer," for the purposes of Article 19 of this Agreement, will mean the perfected, absolute and present assignment and transfer of all of your right, title and interest in the premises Lease for the Franchised Location to us as security for your performance of the terms and conditions of this Agreement.

26.5 Business or Slumberland® Business
"Business" or "Slumberland® Business" means the Slumberland® Business you develop and operate under this Agreement.

26.6 Business Records
"Business Records" will mean all records, ledgers, work papers, written records, memos, books, accounts, bank statements, tax returns, sales tax returns, point-of-sale receipts, and other financial information relating in any respect to your Slumberland® Business.

26.7 Business System

"Business System" will mean the distinctive business services and products which are associated with the Slumberland® trademarks, trade names, service marks, copyrights, interior and exterior building designs, slogans, signs, logos, commercial symbols and color combinations. "Business System" will include all of the uniformity requirements, standards of quality, procedures, specifications and instructions promulgated by us.

26.8 Claims

"Claims" will mean any and all allegations, demands, complaints, arbitration filings, assertions, warnings, reports, obligations, requests for payment or compensation, challenges, allegations of liability, causes of action, legal actions and/or lawsuits.

26.9 Damages

"Damages" will mean all judgments, losses, injuries, awards, reparations, penalties, interest, lost profits, pecuniary compensation, court costs, attorneys' fees, litigation or arbitration out-of-pocket costs, settlement payments, deposition and pre-trial costs, mileage, Travel Expenses, investigation fees, all other amounts paid or incurred as a result of any Claims, and interest on such costs, expenses, and fees.

26.10 Designated Suppliers

"Designated Suppliers" will mean the suppliers or distributors that have been designated by us in the Operations Modules or otherwise in writing as the only source for those Products and Services that we have determined must meet certain specific or unique standards of quality and uniformity required by us to protect the valuable goodwill and uniformity symbolized and associated with the Marks and the Business System. Designated Suppliers may include us or our Affiliates.

26.11 Entity

"Entity" will mean a corporation, limited liability company, partnership, limited partnership or any other type of legal entity.

26.12 Event of Default

An "Event of Default," for the purposes of ARTICLE 19 of this Agreement, will occur if this Agreement is terminated by either us or you for any reason whatsoever, if you wrongfully terminate this Agreement by failing to comply with ARTICLE 15 of this Agreement or otherwise, if you at any time cease to do business at the Franchised Location as a Slumberland® Business, or if this Agreement expires and you do not reacquire the Franchise for the Franchised Location.

26.13 FF&E

"FF&E" will mean the furniture, fixtures, décor items, signs, merchandise, inventory, supplies, machinery, equipment and Technology and Hardware used in a standard Slumberland® Business.

26.14 Financial Statements

"Financial Statements" will mean a balance sheet, income statement, statement of cash flows and explanatory footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis.

26.15 Franchise

"Franchise" will mean the right granted by us to you authorizing you to operate your Slumberland® Business in conformity with the Business System using the name "Slumberland®" and the other Marks.

26.16 Franchise Assets

"Franchise Assets" will mean the then-usable FF&E, the real estate, land and building for the Franchised Location (if owned by you, an Owner, or your or your Owner's Immediate Family Member), the Lease for the Franchised Location (if leased by you, an Owner, or your or your Owner's Immediate Family Member), customer lists, employee lists, all leases and other contracts, supplier lists, Technology and Hardware, vehicles, and all other tangible assets described in the Operations Modules that are required for the operation of a standard Slumberland® Business and used in your Business. Franchise Assets does not include any intangible assets related to the Business, including goodwill associated with the Marks.

26.17 Gross Revenues

"Gross Revenues" will mean the total dollar income of your Slumberland® Business from all cash, credit or charge sales of all Products and Services sold or rendered in, upon, about or resulting from the Slumberland® Business franchised hereunder, and will include all sales, receipts and revenues, in any form and from any and all sources whatsoever, directly or indirectly received by you as a result of the Slumberland® Business, including delivery charges, all payments received by you from any business interruption insurance policy carried by you, and all sales, use, or gross receipts tax rebates or other rebates or reimbursements. This definition will be applicable regardless of whether such sales, receipts or revenues are produced or received by you by any permitted subfranchise, tenant, agent, employee, concessionaire, vending machine, coin-operated machine or vendor of yours, or by any other business associate of yours who or which is associated with you in order to receive the benefits of the rights granted hereunder to you. "Gross Revenues" will include all sales made by you whether made for cash or on credit including, but not limited to, those sales charged or made in or upon orders placed, or completed by delivery through, from or as a result of your Slumberland® Business, including the proceeds from orders placed or filled, or services provided at a location other than the Franchised Location, including mail order and Internet sales. "Gross Revenues" will not include any sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly upon sales, if: (a) the amount of the tax is added to the selling price and is expressly charged to the customer; (b) a specific record is made at the time of each sale of the amount of such tax; and (c) the amount thereof is paid over to the appropriate taxing authority by you.

26.18 Immediate Family Member

"Immediate Family Member" will include a husband, wife, child, parent, brother or sister.

26.19 Manager

"Manager" means the designated individual responsible for the day-to-day operation of your Slumberland® Business. We must approve the Manager and the Manager must successfully complete our training program and all mandatory follow-up training programs.

26.20 Marks

"Marks" will include the name "Slumberland®" and such other trademarks, trade names, service marks, logos and commercial symbols as may be developed for use in connection with the Slumberland® businesses operated in conformity with the Business System, including uniformity requirements and quality standards.

26.21 Operations Modules

"Operations Modules" means the confidential operations modules we loan to you which may include electronic or hard copies of manuals, modules, handbooks, compliance materials and other written communication and which contain mandatory and suggested specification standards, and

operations procedures that we develop for Slumberland® businesses, as we may periodically amend.

26.22 Ownership Interest

"Ownership Interest" will mean the share(s) of capital stock if you are a corporation, a membership interest if you are a limited liability company, a partnership interest if you are a partnership, limited or general partnership interests if you are a limited partnership and will include all other types and means of ownership of you.

26.23 Owner

"Owner" will mean any person or Entity that owns shares of capital stock in you if you are a corporation, a membership interest in you if you are a limited liability company, a partnership interest in you if you are a partnership, a limited or general partnership interest if you are a limited partnership and will include all other persons or Entities owning any other type or means of Ownership Interest.

26.24 Personal Guarantors

"Personal Guarantor(s)" will mean the individual(s) who sign the Personal Guaranty that is attached to this Agreement.

26.25 Products and Services

"Products and Services" will include all of the products, merchandise, inventory, supplies, goods, sundries, machinery, signs, reports, Technology and Hardware, FF&E and services that have been approved or required by us in the Operations Modules or otherwise in writing for sale or use by you at your Slumberland® Business.

26.26 Salaries and Benefits

"Salaries and Benefits" will mean salaries, bonuses, incentives, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, entertainment and other related expenses.

26.27 Transfer

"Transfer" will include sell, assign, trade, transfer, bequest, lease, sublease or otherwise dispose of.

26.28 Travel Expenses

"Travel Expenses" will mean expenditures for transportation, including air fare, lodging, food, automobile rental costs, mileage reimbursement for the personal use of an automobile or vehicle, long distance telephone calls and all other related expenses.

IN WITNESS WHEREOF, we, you and, if applicable, your Owners have respectively signed and sealed this Agreement effective as of the day and year first above written.

"WE"

SLUMBERLAND FRANCHISING, INC.

By_____
Kenneth S. Larson
Its Chief Executive Officer

"YOU"

_____

By_____

Its_____

The undersigned Owners hereby agree to be bound by the terms and conditions of this Agreement.

OWNERS	Percentage of Ownership
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "Personal Guaranty") is made and entered into this _____ day of _____, 20__, by and between Slumberland Franchising, Inc., a Minnesota corporation ("Company," "we" or "us"), and the undersigned personal guarantors (the "Personal Guarantors").

WHEREAS, we and the Franchisee have entered into a Franchise Agreement, dated the same date as set forth above, for the operation of a franchised Slumberland® Business at _____ (the "Franchise Agreement").

WHEREAS, it is the desire of the undersigned Personal Guarantors to personally guaranty the obligations of the Franchisee under the Franchise Agreement and to be individually, jointly and severally bound by the terms and conditions of the Franchise Agreement.

NOW, THEREFORE, in consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Franchise Agreement, including the covenants not to compete, to be paid, kept and performed by the Franchisee.

Obligations under Agreement. The undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including the covenants not to compete, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Franchise Agreement.

Default of Franchisee. If any default should at any time be made therein by the Franchisee, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to us the Initial Fee, Continuing Fees and all other monies due and payable to us under the terms and conditions of the Franchise Agreement.

Non-Compliance by Franchisee. If the Franchisee fails to comply with any other terms and conditions of the Franchise Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Franchise Agreement for and on behalf of the Franchisee.

Obligations to Us. If the Franchisee is at any time in default on any obligation to pay monies to us, Slumberland, Inc. or any other Affiliate of ours, whether for the Initial Fee, Continuing Fees, other fees, merchandise, products, supplies, FF&E, or other products purchased by the Franchisee from us, Slumberland, Inc. or any other Affiliate of Slumberland, or for any other indebtedness of the Franchisee to us, Slumberland, Inc. or any other Affiliate of Slumberland, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from the Franchisee to us, Slumberland, Inc. or any other Affiliate of ours upon default by the Franchisee.

Binding Agreement. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of Slumberland.

Jurisdiction and Venue. Except as precluded by applicable law, all litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with Article 21.6 of the Franchise Agreement.

PERSONAL GUARANTORS

Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone
Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone
Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone

EXHIBIT A
FRANCHISED LOCATION

This Exhibit is attached to and is an integral part of the Slumberland® Franchise Agreement dated _____, 20__ (the "Franchise Agreement"), between you and us.

1. **Franchised Location**. You and we agree that the Business will be located at the following premises: _____
Franchisee acknowledges that Franchisor's acceptance of a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Slumberland® business.

2. **Market Size**. The Business is located in a (check one):

A. ____ Major Market (containing at least 40,000 households)

B. ____ Minor Market (containing less than 40,000 households)

3. **Protected Area**. The Protected Area will be (check one):

A. ____ A radius of five (5) miles from the Franchised Location; or

B. ____ A radius of ten (10) miles from the Franchised Location.

4. **Initial Fee.** You pay us a nonrefundable initial fee of $_____ when you sign the Franchise Agreement.

5. **Minimum Monthly Continuing Fee**. The Minimum Monthly Continuing Fee is equal to $_____ per month.

6. **Defined Terms**. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

"WE"

SLUMBERLAND FRANCHISING, INC.

By_____
Kenneth S. Larson
Its Chief Executive Officer

"YOU"

_____

By_____

Its_____

EXHIBIT B

CONFIDENTIALITY AGREEMENT

In consideration of employment with the undersigned employer (the "Employer"), a franchisee of Slumberland Franchising, Inc., it is hereby agreed that the undersigned employee (the "Employee") will, during the term of his or her employment and thereafter, treat the Operations Modules (the "Operations Modules") in all forms, whether in print form or an electronic medium, and any other manuals and materials (including, but not limited to, videotapes, films, drawings, diagrams and computer programs) created for or approved for use in the operation of a Slumberland® Business, and the information contained therein, as secret and confidential and as the sole and absolute property of Slumberland Franchising, Inc. and will use all reasonable means to keep such materials and information secret and confidential. The undersigned Employee will not:

1. Communicate, divulge or use for the benefit of any other person or entity, any information contained in the Operations Modules or other materials copyrighted or deemed confidential by Slumberland Franchising, Inc. or the Employer.

2. Copy, duplicate, videotape, photograph, record or otherwise reproduce the Operations Modules or any other materials, in whole or in part, borrow or remove the Operations Modules and other materials created for or used in the Employer's Slumberland® Business from the premises of the Business by the undersigned Employee without the express written approval of the Employer, and make any copyrighted or confidential materials available to any unauthorized person or entity, or allow them access to the Operations Modules or other materials.

3. Use any copyrighted or confidential materials or any information, knowledge, methods or techniques contained or described herein for any purpose other than the performance of his or her duties as an employee of the Employer.

4. Notwithstanding any other provision of this Agreement, you may, in accordance with any applicable law which includes but is not limited to the federal Defend Trade Secrets Act, disclose confidential information, (a) in confidence, to federal, state, or local government officials, or to your attorney of, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure.

The undersigned Employee and Employer understand and accept the obligations set forth herein and agree to be bound by them effective as of the date hereof.

Dated: _____, 20__

EMPLOYEE:

_____

EMPLOYER:

_____

By _____

Its _____

EXHIBIT C

TELEPHONE LISTING AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 20__, by and between Slumberland Franchising, Inc., a Minnesota corporation ("Company," "we" or "us"), and _____, a(n) _____("you" or "Franchisee").

WHEREAS, we are the franchisor of Slumberland® businesses and the sublicensor of the name "Slumberland®" and certain other trademarks, trade names, service marks, logos and commercial symbols (the "Marks"); and

WHEREAS, we and you have entered into a Franchise Agreement, dated the same date as this Agreement (the "Franchise Agreement") pursuant to which you are granted the right to operate a franchised Slumberland® business (the "Slumberland® Business" or the "Business") and to use the Marks in directory listings for your Slumberland® Business; and

WHEREAS, you are authorized to continue using the Marks until such time as the Franchise Agreement is terminated or expires.

NOW, THEREFORE, we and you hereby agree as follows:

1. You are authorized to obtain telephone service for your Slumberland® Business. Such service will not be used in conjunction with any other business or residential telephone service.

2. You are authorized to secure digital directory listings for your Slumberland® Business only in the name of "Slumberland®." No other names may be used in conjunction with the Business and the Marks, and no additional listings may be used with the telephone number(s) assigned to the Business, unless approved in writing in advance by us.

3. All directory listings must be approved in advance in writing by us, and you agree that it will not place any such copy unless our written approval is attached.

4. You agree that the telephone numbers and directory listings for the Slumberland® Business will be considered to be the sole property of us. You acknowledge that we have the absolute right and interest in all of the telephone numbers and directory listings associated with the Marks, and you hereby authorize us to direct the telephone company and all listing agencies to transfer all of your telephone numbers and directory listings to us or our assignee if the Franchise Agreement expires or is terminated for any reason whatsoever.

5. Upon the expiration or termination of the Franchise Agreement for any reason, you agree that you will immediately cease all use of such telephone numbers and directory listings and that all such telephone numbers and directory listings will remain the sole property of us, subject to our obligation to pay all fees due therefore that become due and payable after the date of the cessation of your right to use the Marks and the telephone numbers and directory listings associated with the Marks.

6. You hereby release and forever discharge us and our successors or assigns and the telephone company from liability of any kind or character which results or may result directly

or indirectly from our exercise of its rights hereunder or from the telephone company's cooperation with us in effecting the terms of this Agreement.

7. We will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of your right to use all telephone numbers and all classified and other directory listings under the "Slumberland®" name and to authorize the telephone company and all listing agencies to transfer to us or our assignee all telephone numbers and directory listings of your Slumberland® Business.

8. The telephone company and all listing agencies will have the right to accept this Agreement as evidence of our exclusive rights to such telephone numbers and directory listings, and this Agreement will constitute the authority from you for the telephone company and listing agency to transfer all such telephone numbers and directory listings to us. You will not make any claims or commence any action against the telephone company and the listing agencies for complying with this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

"WE"	**"YOU"**
SLUMBERLAND FRANCHISING, INC.	_____
By _____	By _____
Kenneth S. Larson Its Chief Executive Officer	Its _____

EXHIBIT D

LANDLORD'S CONSENT TO ASSIGNMENT OF LEASE

The undersigned landlord (the "Landlord") hereby consents to the Assignment by the undersigned franchisee of Slumberland Franchising, Inc. (the "Franchisee") of its right, title and interest in the premises lease dated _____, 20__, by and between the Landlord and the Franchisee, (the "Lease"), to Slumberland Franchising, Inc. (the "Franchisor"), pursuant to a franchise agreement between the Franchisor and the Franchisee dated _____, 20__, (the "Franchise Agreement"), and as an inducement to the Franchisor to enter into the Franchise Agreement with the Franchisee, agrees with the Franchisor as follows:

1. In the event of default by the Franchisee under the Franchise Agreement, the Franchisor or its designee may assume, enforce and perform the obligations of the Lease with the same force and effect as if assumed, enforced and performed by the Franchisee. The Landlord will accept the Franchisor's (or its designee's) performance in lieu of performance by the Franchisee in satisfaction of the Franchisee's future obligations under the Lease.

2. The Landlord will not terminate the Lease on account of any default of the Franchisee without giving written notice to the Franchisor and first providing to the Franchisor a reasonable opportunity, but not less than 30 days, to: (a) cause the Franchisee to cure the default; or (b) declare the Franchisee in default under the Franchise Agreement and exercise its rights under the Assignment of Lease provisions of the Franchise Agreement. In the event the Franchisor elects to exercise its rights under the Assignment, the Landlord agrees not to terminate the Lease so long as the Franchisor or its designee agrees, within 30 days from the date the Franchisor gives written notice to the Landlord of its election to exercise its rights under this Assignment, to perform the future obligations of the Franchisee under the Lease. However, nothing herein will require the Franchisor to cure any default of the Franchisee under the Lease, but only gives it the option to assume the Franchisee's future rights and obligations under the Lease.

3. The Landlord hereby represents and warrants to the Franchisor that: (a) the Lease is a valid and enforceable agreement; (b) there has been no prior assignment of the Lease of which the Landlord has notice or is aware; (c) neither the Landlord nor the Franchisee is in default under the Lease; and (d) all covenants, conditions and agreements have been performed as required therein, except those not due to be performed until after the date hereof.

Dated: _____, 20__ **"LANDLORD"**

_____

By _____
Its _____

EXHIBIT E

SLUMBERLAND, INC.
SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of _____, 20__, is entered into by and between _____, a(n) _____ ("Debtor") and Slumberland, Inc., a Minnesota corporation ("Secured Party").

The parties to this Agreement agree as follows:

1. **Defined Terms.** Unless otherwise defined herein, capitalized terms used in this Agreement have the meanings given to such terms in the Uniform Commercial Code ("UCC") in effect in the State where the Collateral is located.

2. **Credit Terms.**

(a) Secured Party will, from time to time, establish credit limits for Debtor's Slumberland® Business. Debtor's credit limit will represent the maximum amount of products and merchandise that Debtor will be able to order from Secured Party on open account ("Credit Limit"). If Debtor's products and merchandise purchase requirements will exceed Debtor's Credit Limit with Secured Party, then Debtor will need to arrange additional financing with a bank or other commercial lender. Any additional financing arranged with a bank or other commercial lender must be subordinate to the Credit Limit established with Secured Party.

(b) Debtor's Credit Limit on open account with Secured Party is $_____. Secured Party will have the right in its sole discretion to reduce or increase Debtor's Credit Limit at any time. The Credit Limit will be reviewed monthly and Debtor will be notified in writing of any change in the Credit Limit.

(c) These credit terms do not and will not affect the terms applicable to any fees or payments, including Continuing Fees, payable by Debtor pursuant to the Franchise Agreement dated _____, _____, between Debtor and Slumberland Franchising, Inc. ("Franchisor"), as may be amended, supplemented or restated from time to time (the "Franchise Agreement").

3. **Payment Terms.**

(a) Payment by Debtor for all product and merchandise purchases will be subject to Secured Party's standard franchise credit terms and conditions, which may be amended periodically. The franchise credit terms and conditions currently include net 30 days from the date of the invoice. If payment is not received within 30 days from the date of the invoice, then Secured Party will have the right to charge Debtor interest at the rate of eighteen percent (18%) per annum on the unpaid balance, or the maximum amount of interest permitted by applicable law, whichever interest rate is lessor.

(b) If payment for any purchase is not received within 60 days from the date of the invoice, then Secured Party will have the right to ship products and merchandise to

Debtor on a cash on delivery ("C.O.D.") basis, or Secured Party, in its sole discretion, may declare this to be an Event of Default and exercise any remedies available to Secured Party under this Agreement. In addition, Secured Party will have the right to inform third party suppliers of such product and/or merchandise of Debtor's credit limitations.

4. **Guaranty.** Each owner of Debtor as defined in the Franchise Agreement is required to personally guaranty all outstanding amounts due to Secured Party for product and merchandise purchased on open account, by signing and delivering to Secured Party a Guaranty, the form of which is attached hereto as Exhibit A.

5. **Grant of Security Interest.** Debtor hereby grants to Secured Party a first priority continuing security interest in and to, and a pledge of, all of Debtor's tangible personal property purchased from Secured Party (the "Collateral"), whether now owned or existing or hereafter acquired or arising and wheresoever located, together with all accessions to, substitutions for, and all replacements of, and to the extent not otherwise included in the foregoing, all cash and non-cash Proceeds and products of the above-described Collateral including, but not limited to, Proceeds of insurance policies constituting or insuring such Collateral.

6. **Obligations Secured.** The security interest herein granted secures any and all of Debtor's indebtedness and other obligations to Secured Party of whatsoever nature, fixed or contingent, whether now existing or hereafter arising (collectively, the "Secured Obligations").

7. **Perfection of Security Interest; Further Actions.** Debtor hereby authorizes Secured Party to file any financing statement, amendment or continuation statement on Debtor's behalf which may be reasonably required by Secured Party to evidence, perfect, or record Secured Party's security interest in the Collateral or to enable Secured Party to exercise and enforce its rights and remedies with respect to any Collateral. Debtor agrees that, notwithstanding any provision in the UCC to the contrary, Debtor shall not file a termination statement of any financing statement filed by Secured Party in connection with any security interest granted under this Agreement if Secured Party reasonably objects to the filing of such termination statement. Further, Debtor shall bear all of the costs and expenses in connection with the granting of security interests in the Collateral, the filing of financing statements and other actions in connection with the perfection of the security interests herein granted.

8. **Representations and Agreements.**

(a) Debtor is duly organized, validly existing and in good standing under the laws of the State of its formation, has the power and authority to carry on its business and to enter into and perform all documents relating to this transaction, and is qualified to do business in each jurisdiction in which such qualification is required. All information to this regard provided to Secured Party by Debtor and its operations is true and correct.

(b) Debtor's chief executive office is located at the address set forth on Exhibit B attached hereto and Debtor will not move its chief executive office except to such new location as Debtor may establish in accordance with the last sentence of this Article 8(b). All Collateral is, and will continue to be, maintained at, and controlled and directed (including, without limitation, for general accounting purposes) from, the locations described in Exhibit B or at such new location(s) as Debtor may establish in accordance with the last sentence of this Article 8(b). Debtor shall not establish any new location for such chief executive office until (i) it has given to Secured Party at least 10 days prior written notice of its intention to do so, clearly describing such new location and providing such other information in

connection therewith as Secured Party may reasonably request, and (ii) with respect to such new location, it shall have taken all action, reasonably satisfactory to Secured Party, to maintain the security interest of Secured Party in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

(c) The only locations at which is located any Inventory (other than Inventory sold or leased to Debtor's customers in the ordinary course of Debtor's business) of Debtor (including, without limitation, the location of any warehouse, bailee or consignee at which the Collateral is located) are set forth on Exhibit B hereto, and Debtor agrees that all Inventory shall at all times hereafter be kept at one of such locations set forth on Exhibit B, unless Debtor complies with the following sentence. Debtor shall not establish any new location for Inventory until (i) it has given to Secured Party at least 10 days prior written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as Secured Party may reasonably request, and (ii) with respect to such new location, it shall have taken all action, reasonably satisfactory to Secured Party, to maintain the security interest of Secured Party in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

9. **Title to Collateral; Liens; Transfers.** Debtor has good and indefeasible title to and ownership of the Collateral, free and clear of all liens, other than the security interest granted herein by Debtor. Debtor shall not encumber, pledge, mortgage, grant a security interest in, assign, sell, lease or otherwise dispose of or transfer, whether by sale, liquidation or otherwise, any of the Collateral. Notwithstanding the foregoing, this Article 9 does not restrict Debtor's right to sell Inventory in the ordinary course of business.

10. **Other Changes Affecting Perfection.** Debtor shall not, without giving Secured Party 10 days' prior written notice thereof and taking such steps, reasonably satisfactory to Secured Party, as may be necessary or appropriate to maintain the perfection in full force and effect of the lien in the Collateral: (a) add any new places of business or close any of its existing places of business, (b) make any change in Debtor's name or adopt or operate under any trade name, assumed name or fictitious name or otherwise add any name under which Debtor does business, or (c) make any other change (other than the sale of Inventory in the ordinary course of business) which might affect the perfection or priority of Secured Party's lien in the Collateral.

11. **Maintenance of Insurance; Power of Attorney for Insurance.**

(a) Debtor shall at all times maintain the insurance policies required by, and in the amounts described in, the Franchise Agreement. So long as no Event of Default (as defined in Article 23) exists, upon Debtor's request, Secured Party shall disburse to Debtor insurance Proceeds received by Secured Party, which shall be used by Debtor solely for the purpose of repair and restoration of the property giving rise to such Proceeds; provided that Debtor shall deliver to Secured Party a certificate in form and substance reasonably satisfactory to Secured Party confirming the absence of any Event of Default at the time of each such disbursement.

(b) Debtor shall at all times maintain insurance on the Collateral and shall promptly deliver to Secured Party true copies of all reports with respect to the Collateral made to insurance companies. Debtor hereby irrevocably makes, constitutes, and appoints Secured Party (and all officers, employees, or agents designated by Secured Party), upon and during the continuance of an Event of Default, but subject to Article 24 below, as its true and lawful attorney-in-fact and agent, with full power of substitution, such that Secured Party

shall have the right and authority, to make and adjust claims under such policies of insurance, receive and endorse the name of Debtor on, any check, draft, instrument or other item of payment for the Proceeds of such policies of insurance and make all determinations and decisions with respect to such policies of insurance. Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable. Without waiving or releasing any of Debtor's obligations under this Agreement, Secured Party may (but shall not be required to) at any time or times upon and during the continuance of an Event of Default take such actions with respect thereto as Secured Party deems advisable. All sums disbursed by Secured Party in connection therewith (including, but not limited to, reasonable attorneys' and paralegals' fees and disbursements, court costs, expenses and other charges relating thereto) shall be payable on demand, and until paid by Debtor to Secured Party, shall be additional Secured Obligations under this Agreement secured by the Collateral.

12. **Maintenance of Records.** Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral including, but not limited to, the originals of all documentation (including each contract) with respect thereto, records of all payments received, all credits granted thereon, and all other dealings therewith. Debtor shall, if requested by Secured Party, deliver to Secured Party copies of all documents evidencing the Collateral and copies of such other documents relating thereto as Secured Party may reasonably request. If Secured Party so directs after the occurrence and during the continuance of an Event of Default, Debtor shall legend, in form and manner reasonably satisfactory to Secured Party, any Collateral, as well as books, records and documents of Debtor evidencing or pertaining to the Collateral, with an appropriate reference to the fact that the Collateral has been assigned to Secured Party and that Secured Party has a security interest therein.

13. **Limitations on Dispositions of Inventory.** Debtor shall not sell, transfer, lease or otherwise dispose of any of the Inventory, or attempt, offer or contract to do so, except for dispositions of Inventory in the ordinary course of business.

14. **Protection of Collateral; Reimbursement.** All insurance expenses and all expenses of protecting, storing, warehousing, insuring, handling, maintaining, and shipping any Collateral, any and all excise, property, sales, use, or other taxes imposed by any state, federal, or local authority on any of the Collateral, or in respect of the sale thereof, or otherwise in respect of Debtor's business operations which, if unpaid, could result in the imposition of any lien upon the Collateral, shall be borne and paid by Debtor. If, after notice to Debtor, Debtor fails to promptly pay any portion thereof when due, except as may otherwise be permitted under this Agreement, Secured Party, at its option, may, but shall not be required to, pay the same. All sums so paid or incurred by Secured Party for any of the foregoing and any and all other sums for which Debtor may become liable under this Agreement and all costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements, court costs, expenses and other charges related thereto) which Secured Party may incur in enforcing or protecting its liens on or rights and interests in the Collateral or any of its rights or remedies under this Agreement or in respect of any of the transactions to be had under this Agreement shall be repayable on demand and, until paid by Debtor to Secured Party, shall be additional Secured Obligations under this Agreement secured by the Collateral. Unless otherwise provided by law, Secured Party shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever.

15. **Inspection Rights; Verification.** During regular business hours and after reasonable notice to Debtor, Secured Party (by any of its officers, employees, agents, representatives, or designees) shall have the right to inspect the Collateral and to inspect all books, records, journals, orders, receipts, or other correspondence related thereto (and to make extracts or copies thereof as Secured Party may desire) and to inspect the premises upon which any of the Collateral is located for the purpose of verifying the amount, quality, quantity, value, and condition of, or any other matter relating to, the Collateral.

16. **Status of Collateral.** Debtor agrees to promptly given written notice to Secured Party, in sufficient detail, of any event which could have a material adverse effect on the value of the Collateral or on the security interests granted to Secured Party herein.

17. **General Appointment as Attorney-in-Fact.** Debtor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in its own name, from time to time following the occurrence and during the continuance of an Event of Default, in Secured Party's reasonable discretion, but subject to Article 24 below, for the purpose of carrying out the terms of this Agreement, without notice (except as specifically provided herein) to or assent by Debtor, to take any and all appropriate action and to execute any and all documents and instruments consistent with this Agreement which may be necessary or desirable to accomplish the purposes of this Agreement including, without limiting the generality of the foregoing, the power and right, on behalf of Debtor, to do the following: (a) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance, called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof, and otherwise to itself perform or comply with, or otherwise cause performance or compliance with, any of the covenants or other agreements of Debtor contained in this Agreement which Debtor has failed to perform or with which Debtor has not complied; (b) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any Proceeds thereof and to enforce any other right in respect of any Collateral; (c) to defend any suit, action or proceeding brought against Debtor with respect to any Collateral; (d) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and (e) to generally sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes; and to do, at Secured Party's option and Debtor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as Debtor might do. Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

18. **Secured Party Not Liable; Waivers.**

(a) The powers conferred on Secured Party hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act, except for its own gross negligence or willful misconduct.

(b) Except as otherwise provided in this Agreement, DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, DEMAND, PRESENTMENT, PROTEST , NOTICE, AND JUDICIAL HEARING IN CONNECTION WITH SECURED PARTY'S TAKING POSSESSION OR SECURED PARTY'S DISPOSITION OF ANY OF THE COLLATERAL INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH DEBTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and Debtor hereby further waives, to the extent permitted by law: (i) all damages occasioned by such taking of possession except any damages which are the direct result of Secured Party's gross negligence or willful misconduct; (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of Secured Party's rights hereunder; and (iii) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and Debtor for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

(c) Any sale of, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of Debtor therein and thereto, and shall be a perpetual bar both at law and in equity against Debtor and against any and all persons claiming or attempting to claim the Collateral so sold or realized upon, or any part thereof, from, through and under Debtor.

19. **Authority to Execute Transfers.** Without limitation of any authorization granted to Secured Party hereunder, Debtor also hereby authorizes Secured Party, upon the occurrence and continuance of an Event of Default, to execute, in connection with the exercise by Secured Party of its remedies hereunder, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

20. **Performance by Secured Party of Debtor's Obligations.** If Debtor fails to perform or comply with any of the terms contained herein and Secured Party shall itself perform or comply, or otherwise cause performance or compliance, with such term, the expenses of Secured Party incurred in connection with such performance or compliance, shall be payable by Debtor to Secured Party on demand and shall constitute Secured Obligations secured hereby. Secured Party will notify Debtor as soon as it is practicable of any action taken by it of the nature referred to herein.

21. **Reinstatement.** The provisions of this Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Debtor for liquidation or reorganization, should Debtor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Debtor's assets or should any other financial impairment occur, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. If any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

22. **Termination of Security Interest; Release of Collateral.** Upon the payment in full of all Secured Obligations and the termination or expiration of the Franchise Agreement with Franchisor: (a) the security interests granted to Secured Party under this Agreement shall terminate, (b) all rights to the Collateral shall revert to Debtor, (c) Secured Party will, at Debtor's expense, execute and deliver to Debtor such documents as Debtor may reasonably request to evidence the termination of such security interests and the release of such Collateral, and (d) this Agreement shall be terminated, and Debtor shall have no further liabilities or obligations thereunder (except any liabilities and/or obligations which under the terms of this Agreement survive termination of such agreements).

23. **Events of Default.** Upon the occurrence of any of the following events (each, an "Event of Default"), Secured Party may, at its option, without any demand or notice whatsoever, in addition to its remedies stated in Articles 24 and 25, declare all or any portion of the Secured Obligations to be fully due and payable, together with accrued interest applicable thereto:

(a) any failure to make any payment when due pursuant to Article 3(a) under this Agreement;

(b) any representation or warranty of Debtor set forth in this Agreement is materially inaccurate or misleading;

(c) Debtor fails to observe or perform or violates any other term or condition of this Agreement, the Franchise Agreement or any other term or condition set forth in any other agreement, instrument or document evidencing, guarantying or otherwise related to this Agreement, the Franchise Agreement or any other Secured Obligation, or Debtor otherwise defaults in the observance or performance of any covenant or agreement set forth in any of the foregoing for a period of 30 days after written notice to Debtor of such failure or default;

(d) the commencement by Debtor or any guarantor of a voluntary case under applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or the entry of a decree or order for relief in respect of Debtor or any guarantor in a case under any such law or appointing a receiver, liquidator, assignee, custodian, trustee (or other similar official), the making by Debtor or any guarantor of any general assignment for the benefit of creditors, or the failure of Debtor or any guarantor generally to pay its debts as such debts become due, or the taking of action by Debtor or any guarantor in furtherance of any of the foregoing; or

(e) any sale, conveyance or transfer of any rights in the Collateral or any destruction, loss or damage of or to any material portion of the Collateral.

24. **Remedies.**

(a) Upon and during the continuance of an Event of Default, Secured Party has all the rights and remedies set forth in this Agreement and any additional rights to which a secured party is entitled under the UCC (including, without limitation, foreclosure and secured party sale), at law or in equity. Without limiting the generality of the foregoing, upon the occurrence of an Event of Default (unless appropriately waived in writing in accordance with this Agreement), Secured Party may, in Debtor's or Secured Party's name: (i) demand payment on any Collateral, (ii) enforce payment on any Collateral, by legal proceedings or otherwise, (iii) exercise all of Debtor's rights and remedies with respect to the Collateral and

the collection on any Collateral, (iv) settle, adjust, or compromise any legal proceedings brought to collect on any Collateral, (v) if permitted by applicable law, sell or assign any Collateral upon such terms, for such amounts, and at such time or times as Secured Party deems advisable, (vi) discharge and release any Collateral, (vii) take control, in any manner, of any Collateral and any item of payment or Proceeds relating to any Collateral, or (viii) endorse the name of Debtor upon any Collateral and upon any of the items of payment or Proceeds relating to any Collateral and deposit the same to the account of Secured Party on account of the Secured Obligations.

(b) Without limiting the generality of the foregoing, Secured Party may: personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from Debtor or any other person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon Debtor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of Debtor; (ii) sell, assign or otherwise liquidate, or direct Debtor to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof, and take possession of the Proceeds of any such sale or liquidation; and (iii) take possession of the Collateral or any part thereof, by directing Debtor in writing to deliver the same to Secured Party at any place or places reasonably designated by Secured Party, in which event Debtor shall at its own expense:

(A) forthwith cause the same to be moved to the place or places so reasonably designated by Secured Party and there delivered to Secured Party,

(B) store and keep any Collateral so delivered to Secured Party at such place or places pending further action by Secured Party, and

(C) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the Collateral and to preserve and maintain the Collateral in good condition; it being understood that Debtor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, Secured Party shall be entitled to a decree requiring specific performance by Debtor of said obligation.

(c) Secured Party's rights and remedies hereunder are cumulative, and may be exercised together, separately, and in any order. No delay on the part of Secured Party in the exercise of any such right or remedy shall operate as a waiver. No single or partial exercise by Secured Party of any right or remedy shall preclude any other further exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Secured Party of any Event of Default is effective unless in writing and signed by Secured Party, nor shall a waiver on one occasion be construed as a waiver of any other occurrence in the future.

25. **Additional Remedies.** Upon the occurrence and during the continuance of an Event of Default, to the extent permitted by applicable law and in addition to any other right or remedy provided for in this Agreement, Secured Party shall have each of the following rights and remedies:

(a) Possession of Collateral. Secured Party shall have the right to take immediate possession of the Collateral and all Proceeds relating to such Collateral and (i) require Debtor, at Debtor's expense, to assemble the Collateral and make it available to Secured Party at Debtor's principal place of business or (ii) enter any of the premises of

Debtor or wherever any Collateral shall be located and to keep and store the same on such premises until sold. If the premises on which the Collateral is located is owned or leased by Debtor, then Debtor shall not charge Secured Party for storage of such Collateral on such premises for a period of at least 120 days after the date on which Secured Party enters onto such premises and takes possession of the Collateral.

(b) Foreclosure of Liens. Secured Party shall have the right to foreclose the liens created under this Agreement or under any other agreement relating to the Collateral.

(c) Disposition of Collateral. Secured Party shall have the right to sell or to otherwise dispose of all or any Collateral in its then condition at public or private sale or sales, wholesale dispositions, or sales pursuant to one or more contracts, with such notice as may be required by law, in lots or in bulk, for cash or on credit, all as Secured Party, in its discretion, may deem advisable. Debtor acknowledges and covenants that 10 days written notice to Debtor of any public or private sale or other disposition of the Collateral shall be reasonable notice thereof, and such sale shall be at Debtor's premises or at such other locations where the Collateral then is located, or as otherwise determined by Secured Party. Secured Party shall have the right to conduct such sales on Debtor's premises, without charge therefore, and such sales may be adjourned from time to time in accordance with applicable law without further requirement of notice to Debtor, and Debtor shall permit Secured Party to conduct a sale or sales from such premises at any time and from time to time and permit purchasers and prospective purchasers access to such premises and the Collateral for the purposes of inspecting, bidding, removal of the Collateral and other activities incident to such sale. Secured Party shall have the right to bid or credit bid any such sale on its own behalf.

(d) Notification to Other Persons. With respect to the Collateral, Secured Party shall have the right to notify other persons indebted to Debtor of Secured Party's interest in any such amounts payable to Debtor, to instruct such other persons to remit such amounts directly to Secured Party, and, upon collection of the same, to apply same to the Secured Obligations.

26. **Binding Effect; Assignment.** This Agreement shall become effective when it has been executed by Debtor and by Secured Party and thereafter shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns.

27. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota without giving effect to any choice of or conflict of law provision or rule (whether in the State of Minnesota or any other jurisdiction); provided that the laws of any other state in which the Collateral is located shall govern the perfection of the security interest therein created hereby.

28. **Severability of Provisions; Captions.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. The captions to sections and subsections herein are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement.

29. **Entire Agreement.** This Agreement, together with its Exhibits, constitutes the complete and exclusive agreement of the parties as to the transactions contemplated by this

Agreement. Usage of trade, course of performance, and course of dealing evidence will not be used to contradict, explain, supplement, or otherwise affect this Agreement, and no extrinsic evidence may be offered to resolve or introduce an ambiguity in the Agreement. No amendment of this Agreement will be valid unless it is signed by both parties hereto.

30. **JURY TRIAL WAIVER.** DEBTOR AND SECURED PARTY HEREBY IRREVOCABLY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE RELATIONSHIPS THEREBY ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Agreement including, without limitation, contract claims, tort claims, breach of duty claims, and all other statutory and common law claims. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THIS AGREEMENT. In the event of litigation, this provision may be filed as a written consent to a trial by the court.

31. **Notices.** All notices specified in this Agreement must be in writing and delivered to the parties at the addresses listed below (a) by personal service evidenced by an affidavit of personal services, (b) by pre-paid U.S. Certified Mail, (c) by a recognized overnight carrier such as Federal Express or UPS that requires a signature acknowledging delivery to the addressee or (d) where the addressee acknowledges receipt.

Ms. Molly Hayes	_____
Chief Financial Officer	_____
Slumberland, Inc.	_____
3505 High Point Dr. No.	_____
Building #2	_____
Oakdale, MN 55128	Fax: (____) _____
Fax: (651) 482-0157	E-mail:_____
E-mail: molly.hayes@slumberland.com	

All notices will be effective when received. Any notice of change of address shall be effective only upon receipt.

32. **Further Assurances.** In connection with any assignment or transfer of all or any portion of the Secured Obligations or the Collateral by Secured Party to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect of such Secured Obligations or Collateral, Debtor agrees to execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any and all other agreements, documents or instruments requested by Secured Party and/or its assignee or transferee.

33. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

"SECURED PARTY"	**"DEBTOR"**
SLUMBERLAND, INC.	_____
By _____ Kenneth S. Larson Its Chief Executive Officer	By _____ Name: _____ Title: _____

Exhibit A

To Security Agreement between Slumberland, Inc. and _____

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "Personal Guaranty") is made and entered into this _____ day of _____, 20__, by and between Slumberland, Inc., a Minnesota corporation (the "Secured Party"), and the undersigned personal guarantors (the "Personal Guarantors").

WHEREAS, the Secured Party and the Debtor have entered into a Security Agreement, dated the same date as set forth above (the "Security Agreement"), in conjunction with the Franchise Agreement between the Debtor and Slumberland Franchising, Inc., dated the same date as set forth above, for the operation of a franchised Slumberland® Business at _____ (the "Franchise Agreement").

WHEREAS, it is the desire of the undersigned Personal Guarantors to personally guaranty the obligations of the Debtor under the Security Agreement and to be individually, jointly and severally bound by the terms and conditions of the Security Agreement.

NOW, THEREFORE, in consideration of the execution of the Security Agreement by the Secured Party, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Security Agreement to be paid, kept and performed by the Debtor.

Obligations under Agreement. The undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Security Agreement and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical provisions as the Security Agreement.

Default of Debtor. If any default should at any time be made therein by the Debtor, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to the Secured Party the monies due and payable to the Secured Party under the terms and conditions of the Security Agreement.

Non-Compliance by Debtor. If the Debtor fails to comply with any other terms and conditions of the Security Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Security Agreement for and on behalf of the Debtor.

Obligations to Secured Party. If the Debtor is at any time in default on any obligation to pay monies to the Secured Party, or any other Affiliate of the Secured Party, whether for the merchandise, products, supplies, FF&E, or other products purchased by the Debtor from the Secured Party or any other Affiliate of the Secured Party, or for any other indebtedness of the Debtor to the Secured Party or any other Affiliate of the Secured Party, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from the Debtor to the Secured Party or any other Affiliate of the Secured Party upon default by the Debtor.

Binding Agreement. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of the Secured Party.

Jurisdiction and Venue. Except as precluded by applicable law, all litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with Article 21.6 of the Franchise Agreement.

PERSONAL GUARANTORS

Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone
Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone

Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone

Exhibit B

To Security Agreement between Slumberland, Inc.
And _____

Location of Chief Executive Office

The address of Debtor's Chief Executive Office is:

Address	City	State	Zip Code

Location of Collateral

The address where Debtor's Collateral will be located is:

Address	City	State	Zip Code

EXHIBIT F

SLUMBERLAND® FRANCHISE AGREEMENT
RENEWAL ADDENDUM

This Renewal Addendum is made as of _____, 20__ (the "Effective Date"), between Slumberland Franchising, Inc.**,** a Minnesota corporation ("we" or "us"), and _____, a _____ ("you"), and _____ _____ ("Guarantors").

INTRODUCTION:

A. We and you are parties to a franchise agreement dated _____, 20__, and any amendments, or any other supplements related thereto (the "Old Franchise Agreement"), and the Guarantors agreed to personally guarantee your obligations under the Old Franchise Agreement.

B. You desire to exercise an option to renew the grant of the franchise in the Old Franchise Agreement, which requires you to sign our current form of franchise agreement (the "New Franchise Agreement") and sign a general release.

C. You have executed the New Franchise Agreement effective as of _____, 20__ (the "Effective Date").

D. You and we acknowledge and agree that certain provisions of the New Franchise Agreement are not applicable to you due to your existing contractual relationship with us. We and you desire to enter into this Renewal Addendum to reflect our agreement regarding the inapplicability of such provisions and to attain the general release.

In consideration of the foregoing, and for other good and valuable consideration, the parties agree as follows:

1. **Termination of Old Franchise Agreement**. As of the Effective Date, the Old Franchise Agreement is terminated and is of no further force and effect, provided any provisions of the Old Franchise Agreement which, either explicitly or by their nature, survive termination will remain in full force and effect, including obligations relating to confidentiality and retention of records.

2. **Capitalized Terms**. Capitalized terms used but not defined herein will have the meanings given to such terms in the New Franchise Agreement.

3. **Term**. The term of the New Franchise Agreement will be for 15 years, commencing on the Effective Date.

4. **Right to Renew**. Article 2.3 of the New Franchise Agreement is amended to provide that you have no right to renew your Franchise.

5. **Initial Fee**. Article 4.1 of the New Franchise Agreement is amended to provide that you will pay us a renewal fee equal to $_____.

6. **Continuing Fees**. The first sentence of Article 5.1 of the New Franchise Agreement is deleted in its entirety and replaced with the following sentence: "You will, commencing on the Effective Date, and continuing for the entire term of the New Franchise Agreement, pay to us monthly Continuing Fees equal to at least 3% of your monthly Gross Revenues."

7. **Minimum Monthly Continuing Fees.** Article 5.2 of the New Franchise Agreement is amended to delete the phrase "[c]ommencing 24 months after Effective Date and continuing each month thereafter," and you acknowledge that you must pay us the Minimum Monthly Continuing Fee as of the Effective Date of the New Franchise Agreement.

8. **Training**. Articles 7.1 and 7.5 of the New Franchise Agreement are deleted in their entirety.

9. **Operations Modules**. Pursuant to Article 9.6 of the New Franchise Agreement, you acknowledge that you have received access to the Operations Modules.

10. **General Release.** You and the Guarantors and your and the Guarantors' respective heirs, successors, and assigns (collectively, the "Releasing Parties") do hereby release and forever discharge us, and our current and former successors, assigns, affiliates, directors, officers, shareholders, employees and agents, of and from any claims, debts, liabilities, demands, obligations, costs, expenses (including reasonable attorneys' fees and interest on such costs and expenses), actions and causes of action of every nature, whether known or unknown, vested or contingent, which the Releasing Parties, or any one or more of them, may now or in the future own or hold, arising before and including the Effective Date.

11. **Other Terms**. All other terms and conditions of the New Franchise Agreement not modified herein remain in full force and effect.

12. **Counterparts**. This Renewal Addendum may be signed in counterparts, and each counterpart when so signed and delivered will be deemed an original.

The parties have executed and delivered this Renewal Addendum as of the Effective Date.

"WE"	"YOU"
SLUMBERLAND FRANCHISING, INC.	_____
By_____ Kenneth S. Larson Its Chief Executive Officer	By_____ _____ Its _____

"GUARANTORS"

_____
_____

_____
(Print Individual Name)

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D: ADDENDUM TO
FRANCHISE AGREEMENT FOR OUTLET CENTER

ADDENDUM TO
SLUMBERLAND FRANCHISING, INC.
SLUMBERLAND® FRANCHISE AGREEMENT
FOR OUTLET CENTER

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") made, entered into and effective this ____ day of _____, 20___, by and between Slumberland Franchising, Inc., a Minnesota corporation ("we" or "us"), and _____, a(n) _____ ("you");

RECITALS

You own and operate a franchised Slumberland® Business located at _____ _____ pursuant to a Franchise Agreement with us, dated _____, 20__ (the "Franchise Agreement").

You desire to operate a Slumberland outlet center (the "Slumberland® Outlet Center").

We will allow you to operate the Slumberland® Outlet Center under the terms as described in this Addendum.

INTRODUCTION

We and you, in consideration of the mutual agreements herein contained and other good and valuable consideration the receipt of which is acknowledged by the parties hereto, do hereby agree, contract and covenant as follows:

1. Franchised Location. You are hereby granted the right, pursuant to the terms of the Franchise Agreement and this Addendum, to open and operate a franchised Slumberland® "Outlet Center" at (check one):

(a) ____ the location described in Article 1.1 and Exhibit A of the Franchise Agreement and set forth above in this Addendum; or

(b) ____ the following location: _____.

If Section 1(b) of this Addendum is applicable, then Article 1.1 of the Franchise Agreement is hereby amended to provide that the Franchised Location will include the location specified in Section 1(b) of this Addendum. All references to the Franchised Location in the Franchise Agreement will apply to and include the premises of the Slumberland® Outlet Center operated by you.

2. References. All references in the Franchise Agreement to the Slumberland® Business or the Business will apply to and include the Slumberland® Outlet Center operated by you. All references to the Franchise in the Franchise Agreement will apply to and include the Slumberland® Outlet Center operated by you. All references to Gross Revenues in the Franchise Agreement will apply to and include the Gross Revenues, as defined in the Franchise Agreement, received, billed, or generated by, at, as a result of, in connection with or from your Slumberland® Outlet Center. All references to the Franchise Assets in the Franchise Agreement will apply to and include the Slumberland® Outlet Center.

3. Term. The term of this Addendum will coincide with the term set forth in Article 2.1 of the Franchise Agreement.

4. Initial Fee. Article 4 of the Franchise Agreement will not be applicable to the Slumberland® Outlet Center.

5. Continuing Fees. Section 5.1 of the Franchise Agreement is amended to include the requirement that you pay to us monthly Continuing Fees equal to 3% of the monthly Gross Revenues, as defined in the Franchise Agreement, which are received, billed or generated by, at, as a result of, in connection with or from your Slumberland® Outlet Center.

6. Minimum Monthly Continuing Fees. Section 5.2 of the Franchise Agreement is amended to provide that the monthly Continuing Fees paid by you to us based upon the monthly Gross Revenues of your Outlet Center will be included when calculating the monthly Continuing Fees paid by you for your Slumberland® Business, without regard to whether the Outlet Center is located on the premises of your Slumberland® Business or the location designated in Section 1(b) of this Addendum.

7. Local or Regional Advertising. Section 8.2 of the Franchise Agreement is amended to include the requirement that you also spend a minimum of 8% of the monthly Gross Revenues of your Slumberland® Outlet Center for approved local or regional media advertising and promotion.

8. Site Selection. Section 6.1 of the Franchise Agreement will not apply to the Outlet Center if it is located on premises of your Slumberland® Business.

9. Training. Section 7.1 of the Franchise Agreement will not apply to the Outlet Center.

10. Opening Assistance. Section 7.5 of the Franchise Agreement is amended to provide that Slumberland, Inc. will provide to you such opening assistance for the Outlet Center by telephone, by e-mail or at the Outlet Center as reasonably requested by you in writing and as deemed appropriate by us at the then-current rate charged by Slumberland, Inc. for opening assistance. You will not open and commence initial business at the Outlet Center until we have given you written approval to do so.

11. Additional Assistance. Section 7.3 of the Franchise Agreement will not apply to the Outlet Center. Slumberland, Inc. will provide to you such management assistance for the Outlet Center by telephone, by e-mail or at the Outlet Center as you reasonably request in writing and as deemed appropriate by us at the then-current rate charged by Slumberland, Inc. for management assistance.

To the extent this Addendum may be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or the exhibits or attachments thereto, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain unchanged.

IN WITNESS WHEREOF, the undersigned hereby acknowledge having read this Addendum, understand and consent to be bound by all of its terms, and agree this Addendum will effective as of the date first above written.

SLUMBERLAND FRANCHISING, INC.

By _____
Kenneth S. Larson
Its Chief Executive Officer

FRANCHISEE:

_____

_____

Slumberland, Inc. hereby acknowledges having read this Addendum and consents to be bound by all applicable terms and conditions.

SLUMBERLAND, INC.

By _____
Kenneth S. Larson
Its Chief Executive Officer

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E: SLUMBERLAND® AREA DEVELOPMENT AGREEMENT

SLUMBERLAND®
AREA DEVELOPMENT AGREEMENT

BETWEEN

SLUMBERLAND FRANCHISING, INC.
3505 High Point Dr. N
Building #2
Oakdale, Minnesota 55128
(651) 482-7500
Fax (651) 482-0157

AND

_____

_____

_____

_____
Name(s) of Area Developer

BUSINESS ADDRESS:

_____
Street

_____
City, State, Zip Code

_____
Area Code and Telephone

_____
Area Code and Facsimile

DATE OF AREA DEVELOPMENT AGREEMENT:

_____, 20____

SLUMBERLAND FRANCHISING, INC.

AREA DEVELOPMENT AGREEMENT

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Exhibit A – Development Information

SLUMBERLAND FRANCHISING, INC.

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") made, entered into and effective this _____ day of _____, 20___ (the "Effective Date"), by and between Slumberland Franchising, Inc., a Minnesota corporation ("we" or "us"), and _____, a(n) _____ ("you" or "Area Developer");

RECITALS:

A. Over time and at a significant cost, we (and our predecessors) have developed a business concept for operating businesses of a distinctive character that market beds, mattresses, bedroom furniture, sofas, reclining chairs and other upholstered furniture under the name "Slumberland®" (the "Business System").

B. Slumberland, Inc. has granted us the right and authority to license the use of the name "Slumberland®" and certain other trademarks, trade names, service marks, slogans, logos and commercial symbols (the "Marks") for use in connection with Slumberland® businesses operated in conformity with the Business System.

C. You desire to enter into Franchise Agreements for the operation of businesses using the name "Slumberland®" and the other Marks in the Territory set forth in the Addendum attached to this Agreement in conformity with the Business System and in uniformity with the requirements and quality standards established and promulgated by us from time to time (hereinafter referred to as the "Slumberland® Businesses" or the "Businesses").

In consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby contract as follows:

ARTICLE 1
GRANT OF DEVELOPMENT RIGHTS; TERRITORY

1.1 Territory.
We hereby grant to you, for the term of this Agreement, the right to enter into Franchise Agreements with us for the development and operation of Slumberland® Businesses to be located within the "Territory" described in Exhibit A attached to this Agreement. The Territory may be further described in a map attached hereto as an exhibit and signed by both you and us.

1.2 Exclusivity.
The rights and privileges granted to you in this Agreement are expressly limited to the Territory and are expressly subject to the terms and conditions of this Agreement. During the term of this Agreement, we will not grant to any other person or Entity a Franchise to open or operate Slumberland® Businesses utilizing the Business System or the Marks within the Territory, and will not establish another franchised or company-owned Slumberland® Business within the Territory. Notwithstanding the foregoing, we will have the absolute right to: (a) develop other business concepts under other brand names even if the locations for the concepts are within the Territory, and (b) market, distribute and sell, on a wholesale or retail basis, products and goods under any of the Marks, by direct sale, distributors, the Internet, mail order, infomercials, telemarketing or by any other marketing or distribution method, even if such sales are made to customers, distributors or retailers who are located in the Territory. You will comply with our then-

current policies relating to sales via the Internet on Slumberland® Home Page and sales originated by a Slumberland® Business but filled by another Slumberland® Business.

1.3 Use of Marks.
You acknowledge that you have no interest in or to the Marks and your right to use the Marks is derived solely from the individual Franchise Agreements entered into between you and us. You will only use the Marks designated by us in writing and only in the manner authorized and permitted by us. You agree that all use of the Marks by you and any goodwill established exclusively benefits us or Slumberland, Inc. You agree that after the termination or expiration of this Agreement, you will not, except with respect to Slumberland® Businesses operated by you under individual Franchise Agreements, directly or indirectly, identify yourself or any business as a franchisee or former franchisee of, otherwise associated with us or use in any manner the Marks.

1.4 Conditions.
You hereby undertake the obligation to develop Slumberland® Businesses using the Business System in the Territory in strict compliance with the terms and conditions of this Agreement for the entire term of this Agreement. The rights and privileges granted to you by us under this Agreement are applicable only in the Territory, are personal in nature, and may not be used elsewhere or in any other area by you.

1.5 Personal License.
You will not have the right to franchise, subfranchise, license or sublicense your rights under this Agreement. You will not have the right to Transfer this Agreement or your rights under this Agreement, except as specifically provided for in this Agreement.

ARTICLE 2
TERM; RIGHT OF FIRST REFUSAL

2.1 Term.
This Agreement will be in effect for a term ending _____ (____) years after the Effective Date, or on the date you have has completed development of the number of Slumberland® Businesses required under the Development Schedule set forth in Article 4.1, whichever is earlier. This Agreement will not be enforceable until it has been signed by both you and us, and until this Agreement has been delivered to you. Subject to the provisions of Article 2.2, at the end of the term of this Agreement, your exclusive development rights with respect to the Territory will automatically terminate, and you will not have the right to renew or extend the term of this Agreement.

2.2 Area Developer's Right of First Refusal.
For a period of one year after the term of this Agreement expires according to the provisions of Article 2.1, you will, subject to the terms and conditions contained in this provision, have the right of first refusal to own and develop Slumberland® Businesses in the Territory (as defined by this Agreement), provided that during the term of this Agreement (a) you have complied in all respects with the terms and conditions of this Agreement and the Franchise Agreements for all of the Slumberland® Businesses owned by you, and (b) you have timely paid the Development Fee, Initial Fees, Continuing Fees and other fees and payments to us or our Affiliate as required by this Agreement and the respective Franchise Agreements with us. If all of these conditions have been met by you, we will not own, operate or develop or offer any third party the right to own, operate, develop or franchise any Slumberland® Businesses in the Territory without first offering the right to you in a written offer that contains a general summary of the terms and conditions of the proposed transaction, including the Development Fee, the number of Slumberland® Businesses to be

developed and opened, the Development Schedule, and the Initial Fees, the Continuing Fees and all other fees payable pursuant to the then-current standard Franchise Agreement. If you fail to accept the offer contained in the written notice within 30 days after receipt, then your right of first refusal will terminate in all respects and we will have the right to develop, own, operate or franchise Slumberland® Businesses in the Territory in accordance with the terms and conditions of the written offer. If you accept the offer contained in the written notice, then you will have 30 days after the date of acceptance to sign the new area development agreement and/or the new Franchise Agreement (the "Required Agreements"), as the case may be, and to pay all fees due thereunder to us. If you fail to sign the Required Agreements within 30 days after the date of acceptance, then your right of first refusal will terminate in all respects and we will have the right to own, operate, develop or franchise Slumberland® Businesses in the Territory in accordance with the terms and conditions of the written offer.

ARTICLE 3
FEES PAYABLE TO FRANCHISOR

3.1 Development Fee.
On the date this Agreement is executed by you, you will pay us a nonrefundable "Development Fee". The Development Fee is equal to the sum of the Initial Fee in the current standard franchise agreement for the first Slumberland® Business you must develop in the Territory, plus fifty percent (50%) of the Initial Fee due under the current standard franchise agreement multiplied by the number of additional Slumberland® Businesses you must develop in the Territory in accordance with the Development Schedule as set forth on Exhibit A. The Development Fee is payment to us for granting you the exclusive rights, as set forth in this Agreement, to develop and operate Slumberland® Businesses in the Territory. In no event will the Development Fee be refunded to you.

3.2 Initial Fees.
You will sign a Franchise Agreement for each Slumberland® Business that you are required to open and operate in the Territory pursuant to the Development Schedule set forth in Article 4.1 of this Agreement. No Initial Fee will be due for the Slumberland® Businesses developed in the Territory pursuant to the Development Schedule.

3.3 Payment of Development Fee.
You will pay us the Development Fee set forth in Article 3.1 of this Agreement on or before the date you execute this Agreement and you must execute a Franchise Agreement for your first Business. You will not purchase or lease the property for the proposed site for the Franchised Location until you have signed a Franchise Agreement with us and you have complied with the applicable provisions of the Franchise Agreement relating to site selection and the Franchised Location.

3.4 Continuing Fees.
During the term of each Franchise Agreement signed by you pursuant to this Agreement, you will pay us monthly Continuing Fees, as defined in the Franchise Agreement. You will pay us the monthly Continuing Fees for each of your Slumberland® Businesses at the rates set forth in the first Franchise Agreement signed by you and us pursuant to this Agreement, even if the Continuing Fee then charged to franchisees by us at the time you sign a subsequent Franchise Agreement is different. For each of your Slumberland® Businesses, you will pay the monthly Continuing Fee on the day specified in, and in accordance with the other terms and conditions of, the Franchise Agreement for that Business.

3.5 Other Fees.
Except as set forth in this Article 3, you will pay the fees, payments and other monetary obligations payable to us, Slumberland, Inc. and others at the rates, in the amounts and in the manner specified in the then-current standard Franchise Agreement executed by us and you for each Business in the Territory.

ARTICLE 4
DEVELOPMENT SCHEDULE

4.1 Development Schedule.
You acknowledge and agree that the Development Schedule set forth on Exhibit A to this Agreement is material provision of this Agreement. For purposes of determining compliance with the Development Schedule, only your Businesses actually open and continuously operating in the Territory as of a given date will be counted toward the number of Slumberland® Businesses required to be open and continuously operating. Notwithstanding any provision in the Franchise Agreement to the contrary, you will be required to open the Slumberland® Businesses developed by you under this Agreement according to the dates set forth in the Development Schedule, and the Franchise Agreement for each of your Businesses will be deemed to be amended accordingly.

4.2 Reasonableness of Development Schedule.
You represent that you have conducted your own independent investigation and analysis of the prospects for the establishment of Slumberland® Businesses within the Territory, and approve of the Development Schedule as being reasonable and viable.

4.3 Extension of Development Schedule.
Your failure to comply with the Development Schedule will constitute a material breach of this Agreement by you. However, you will have the right to one extension of up to six months (the "Extension Period") of each deadline set forth in the Development Schedule upon giving written notice to us before the expiration of the deadline, stating that you will not be able to meet the deadline due to construction delays or similar circumstances beyond your reasonable control and the payment of an "Extension Fee" each month during the Extension Period. The first Extension Fee in the amount of $15,000 must accompany the written notice to us requesting the extension. Each month thereafter during the Extension Period, you will pay us an Extension Fee of $5,000 until the expiration of the Extension Period or until the applicable Slumberland® Business is opened in the Territory by you, whichever first occurs. If you fail to open the applicable Slumberland® Business within the six-month Extension Period and/or fail to timely pay each Extension Fee during the Extension Period, we, at our option and as an alternative to immediately terminating this Agreement for failure to comply with the Development Schedule, will have the right to require that you immediately upon receipt of written notice from us commence paying us the minimum monthly Continuing Fee specified in the Franchise Agreement by the 15th day of each month for the unopened Slumberland® Business. You will continue to pay us the minimum monthly Continuing Fee for the applicable Slumberland® Business by the 15th day of each month until (a) the Slumberland® Business is opened by you (in which case, you will commence paying the Franchisor monthly Continuing Fees as provided for in the Franchise Agreement for the Slumberland® Business), or (b) the Franchise Agreement for the Slumberland® Business is terminated by us for failure to open the Business by the date agreed upon by the parties or any other available grounds for the termination of the Franchise Agreement (in which case, we will also have the right to immediately terminate this Agreement for failure to comply with the Development Schedule or any other available grounds for the termination of this Agreement).

4.4 Failure to Comply with Development Schedule.

If you at any time during the term of this Agreement are not in compliance with the Development Schedule (*i.e.*, do not have the required number of Slumberland® Businesses open and operating in the Territory as of the dates specified in Article 4.1 and have not given us written notice of an extension in accordance with the preceding provision or have not opened a Slumberland® Business before the expiration of the six-month Extension Period granted pursuant to the preceding provision), then we will have the right to terminate this Agreement immediately upon notice to you. Termination of this Agreement as a result of your failure to meet the Development Schedule will not affect the individual Franchise Agreements for the Slumberland® Businesses opened and operated in the Territory pursuant to this Agreement which were signed by the parties prior to termination of this Agreement; however, upon termination of this Agreement, all rights to open and operate additional Slumberland® Businesses in the Territory and all other rights granted to you under this Agreement will immediately revert to us, without affecting those obligations of yours that continue beyond the termination of this Agreement.

4.5 Termination for Failure to Comply with Development Schedule.

If this Agreement is terminated by us because of your failure to meet the Development Schedule, the rights and duties of us and you will be as follows: (a) you will have no rights to open additional Slumberland® Businesses within the Territory; (b) you will continue to pay all required fees and to operate your Slumberland® Businesses opened in the Territory pursuant to the terms of the applicable Franchise Agreements signed by you prior to the date of the termination of this Agreement, and will in all other respects continue to comply with such Franchise Agreements; (c) we will have the absolute right to develop Slumberland® Businesses in the Territory or to contract with other persons for the development of additional Businesses in the Territory; (d) you will have no right to obtain a refund of any monies you paid to us pursuant to this Agreement or pursuant to any Franchise Agreement with us; and (e) you and us will not have any rights or obligations with respect to the Franchise Agreements required to be signed pursuant to the Development Schedule in Article 4.1, but which were not executed prior to the termination of this Agreement by us because of your failure to comply with the Development Schedule.

ARTICLE 5
OBLIGATIONS OF AREA DEVELOPER

5.1 Compliance with Applicable Laws.

You will, at your expense, comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations pertaining to the operation of your Businesses in the Territory including, but not limited to: (a) health and safety regulations and laws; (b) environmental laws; (c) employment laws (including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual harassment laws, disability and discrimination laws); (d) credit card and debit card laws applicable to consumers, including all privacy laws, and (e) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income tax laws). You will, at your expense, be solely and exclusively responsible for determining the licenses and permits required by law for your Businesses, for qualifying for, and obtaining and maintaining all such licenses and permits, and for compliance with all applicable laws by your employees, agents and independent contractors. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Businesses. It is your sole responsibility to identify and obtain all authorizations necessary to operate the Businesses.

5.2 Execution of Franchise Agreements.
Subject to the provisions set forth in Articles 3.2 and 3.4 of this Agreement, for each Slumberland® Business that will be opened, owned and operated by you in the Territory pursuant to this Agreement, you must execute the then-current standard Slumberland® Franchise Agreement and comply with the other requirements of this Agreement. Your failure to provide us with an executed Franchise Agreement within the time specified in Article 3.3 and Article 4.1 will constitute a material breach of this Agreement and we will have the right to terminate this Agreement as provided for herein.

5.3 Local Advertising; Other Payments.
During the term of each Franchise Agreement signed by you pursuant to this Agreement, you will be required to spend monies for items such as approved local advertising and other related expenses. You will pay all such required promotional and advertising expenses at the rates established in, and in accordance with the terms and conditions of, the applicable Franchise Agreement for each of your Businesses.

5.4 Modifications to Franchise Agreement.
You acknowledge that (a) the terms, conditions and economics of the Franchise Agreement may be modified from time to time by us, (b) reasonable modifications and amendments to the Franchise Agreement will not alter your obligations under this Agreement, (c) any changes or modifications made to the Franchise Agreement in the future will not be applicable to any Franchise Agreement previously executed by you, (d) any Franchise Agreement signed by you pursuant to this Agreement will require you to pay the Continuing Fees set forth in Article 3.4, regardless of whether these fees have increased in the future, and (e) you will be required to pay any additional fees contained in any Franchise Agreement signed by you after the date of this Agreement.

5.5 Interests of Operating Company.
Your operating company will be dedicated solely to the development and operation of your Businesses in the Territory and will not hold any interest in, operate, or manage any other business of any kind without our prior written approval.

5.6 Designation of Managing Operator.
Within 30 days after the date of this Agreement, you will designate an individual as your "Managing Operator." Such designation will be in writing signed by you or your Owners, as applicable, and approved by us. We will have the right to rely on the communications from the Managing Operator and to provide information and instructions to you by communicating with the Managing Operator. You will notify us in writing at least 10 days prior to any change in the identity of your Managing Operator, which will be subject to our written approval.

ARTICLE 6
FRANCHISOR'S TERMINATION RIGHTS; DAMAGES

6.1 Conditions of Breach.
In addition to our other rights of termination contained in this Agreement, we will have the right and privilege to terminate this Agreement if: (a) you fail to comply with the Development Schedule; (b) you violate any material provision, term or condition of this Agreement; (c) you fail to conform to the Business System or the standards of uniformity and quality for the products and services promulgated by us in connection with the Business System; (d) you fail to timely pay any uncontested obligations or liabilities due and owing to us, suppliers, banks, purveyors, other creditors or any federal, state or municipal government (including, if applicable, federal and state taxes); (e) you are deemed insolvent within the meaning of any state or federal law, any involuntary

petition for bankruptcy is filed against you, or you file for bankruptcy or are adjudicated a bankrupt under any state or federal law; (f) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (g) any check issued by you is dishonored because of insufficient funds (except where the check is dishonored because of a bookkeeping or accounting error) or closed accounts; (h) you or any of your Managers, partners, directors, officers or majority stockholders are convicted of, or plead guilty or no contest to a charge of violating any law relating to the Business, or any felony; (i) you are involved in any act or conduct which materially impairs the goodwill associated with the name "Slumberland®," any other Marks or the Business System; (j) any Franchise Agreement between you and us is terminated by either party for any reason or (k) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise.

6.2 Procedure for Curable Defaults.
Except as described below, you will have 30 days, or such longer period as applicable law may require, after your receipt from us of a written "Notice of Termination" within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the 30 day period, or such longer period as applicable law may require, expires. You will have 15 days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under Article 6.1(d) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the 15 day period expires, or such longer period as applicable law may require.

6.3 Our Immediate Termination Rights.
We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three separate occasions within any twelve month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; (4) any default under (e), (f), (h), (i),(j), or (k) in Article 6.1.

6.4 Damages.
In the event this Agreement is terminated by us pursuant to this Article 6, or if you breach this Agreement by a wrongful termination or a termination that is not in accordance with the terms and conditions of this Agreement, then we will be entitled to seek recovery from you for all Damages that we have sustained and will sustain in the future as a result of your breach of this Agreement.

6.5 Other Remedies.
Nothing in this Article 6 will preclude us from seeking other Damages or remedies under state or federal laws, common law or under this Agreement against you including, but not limited to, attorneys' fees, costs, expenses, interest, and injunctive relief.

ARTICLE 7
OBLIGATIONS UPON TERMINATION OR EXPIRATION

7.1 Obligations upon Termination; Reversion of Rights.
Upon termination of this Agreement for any reason, all rights to open and operate additional Slumberland® Businesses in the Territory and all other rights granted to you pursuant to this Agreement will automatically revert to us, and we will have the right to develop the Territory or to

contract with another area developer for the future development of the Territory. In addition, you will comply with all other applicable provisions of this Agreement, including those provisions with obligations that continue beyond the termination of this Agreement.

7.2 Franchise Agreements Not Affected.
You will continue to operate the Slumberland® Businesses owned by you in the Territory pursuant to the terms of the applicable Franchise Agreements signed by you and us prior to the termination of this Agreement, and the rights and obligations of you and us with respect to your Businesses in the Territory will be governed by the terms of the applicable Franchise Agreements.

7.3 Continuation of Obligations.
The indemnities and covenants contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 8
AREA DEVELOPER'S COVENANTS NOT TO COMPETE

8.1 In-Term Covenant Not to Compete.
You, your Owners and the Personal Guarantors will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or Owner of any other person or Entity, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or Entity that is engaged in the business of marketing beds, mattresses, bedroom furniture, sofas, reclining chairs or other upholstered furniture, or any other business that is in any way competitive with or similar to the Slumberland® Businesses, except with our prior written consent.

8.2 Post-Term Covenant Not to Compete.
You, your Owners and the Personal Guarantors will not, for a period of one year after the termination or expiration of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or Owner of any other person or Entity, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or Entity engaged in the business of marketing beds, mattresses, bedroom furniture, sofas, reclining chairs and other upholstered furniture, or any other related business that is in any way competitive with or similar to the Slumberland® Businesses which is located: (a) within the Territory; (b) within the protected area of any Slumberland® Business; or (c) within any exclusive area granted by us or any affiliate of ours pursuant to any franchise, development, license or other territorial agreement. You, your Owners and the Personal Guarantors expressly agree that the time and geographical limitations set forth in this provision are reasonable and necessary to protect us and the other area developers if this Agreement expires or is terminated by either party for any reason.

8.3 Injunctive Relief.
You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Article 8, and that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Article 8. The covenants stated in this Article 8 will survive the termination or expiration of this Agreement.

ARTICLE 9
INDEPENDENT CONTRACTOR; INDEMNIFICATION

9.1 Independent Contractors.
You understand, acknowledge, and agree that you are an independent contractor. Neither you or we are the agent, legal representative, partner, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any reason. Neither you nor we will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary or other special relationship of or confidence between you and us. During the term of this agreement, you must hold yourself out to the public, identify yourself at the premises of the Franchised Location, and represent yourself in all dealings with your employees, contractors, customers, lessors, suppliers, public officials, and any other third party as an independent contractor.

9.2 Operation of Businesses.
You will be totally and solely responsible for the operation of your Slumberland® Businesses, and will hire, fire, train, schedule, compensate, control, supervise and manage all the employees, agents and independent contractors who work for or with you. You are solely responsible for the terms of their employment, compensation, and all personnel decisions respecting your Slumberland® Business employees without any influence or advice from us. You will be responsible for the acts of your employees, agents and independent contractors and will take all reasonable business actions necessary to ensure that your employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations including, but not limited to, all discrimination laws, sexual harassment laws and laws relating to the disabled. We will not have any right, obligation or responsibility to control, supervise or manage your employees, agents or independent contractors and will no way be involved in the operations of your Business.

9.3 Indemnification.
We will not be obligated to any person or Entity for Damages arising out of your operations conducted pursuant to this Agreement.

You must indemnify and hold us and our subsidiaries, Affiliates, stockholders, members, directors, officers, employees and agents harmless against and will reimburse us and them for all Claims, Damages and Travel Expenses incurred by us in any lawsuit or proceeding brought against us arising out of, as a result of, or in connection with your Slumberland® Businesses or in connection with your employees' actions or inaction. You must defend us and our subsidiaries, Affiliates, stockholders, members, directors, officers, employees and agents against all Claims brought against us arising out of, as a result of, or in connection with your Slumberland® Businesses or in connection with your employees' actions or inaction, provided that upon notice to you, we have the right to use our own counsel and may control the investigation and defense of such Claim, but at your cost. In the event that we choose for any reason not to assume control of our own defense, you must consult regularly and cooperate fully with us and provide us with timely notice of all significant filings, discovery due dates, hearing, offers of settlement, and any other significant events involving the Claim.

In addition, you will pay all costs and expenses incurred by us in enforcing any term, condition or provision of this Agreement or in seeking to enjoin any violation of this Agreement by you, including attorneys' fees and interest on such costs and expenses.

9.4 Continuation of Obligations.
The indemnification and other obligations contained herein will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 10
TRANSFER

10.1 Transfer by Us.
We may unilaterally Transfer this Agreement without your approval or consent. We will provide you with written notice of any Transfer of this Agreement within 45 days after the closing date. The assignee of this Agreement will be required to fully perform our obligations under this Agreement.

10.2 Transfer by You to Entity.
In the event you are an individual or partnership, you may Transfer this Agreement without first offering it to us, pursuant Article 10.6 below, to an Entity that you own or control without paying any Transfer Fee, provided that: (a) the Owners and their spouses have signed the Personal Guaranty in the form contained in this Agreement; (b) you furnish written proof to us 15 days before the Transfer substantiating that the assignee Entity will be financially able to perform all of the terms and conditions of this Agreement; and (c) none of the Owners owns, operates, franchises, develops, manages or controls any business that is in any way competitive with or similar to a Slumberland® Business. The Transfer of this Agreement under this Article 10.2 will not be valid or effective until we have received the documents which our attorneys deem reasonably necessary to properly and legally document the Transfer of this Agreement to the Entity.

10.3 Transfer upon Death or Disability.
If you are an individual, then in the event of your death or permanent disability, this Agreement may be Sold or Transferred to any designated person or beneficiary without first offering us the right to acquire this Agreement pursuant to Article 10.6 of this Agreement and without the payment of any Transfer Fee. However, the Transfer of this Agreement to your transferee, assignee or beneficiary will be subject to the applicable provisions of Article 10.4, and will not be valid or effective until we have received the properly executed legal documents which our attorneys deem necessary to properly and legally document the Transfer of this Agreement. Furthermore, the transferee, assignee or beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of your obligations under this Agreement.

10.4 Approval of Transfer.
Subject to the provisions of Article 10 of this Agreement, you must obtain our prior written approval before a Transfer of any interest in: (1) your Slumberland® Businesses; (2) the Franchises; (3) this Agreement; or (4) any Ownership Interest in you. We will not unreasonably withhold our consent to any such Transfer, provided that you and/or the transferee franchisee comply with the following conditions:

(a) You will have complied in all respects with Article 10.6 of this Agreement;

(b) All of your monetary obligations due to us or our Affiliates have been paid in full, and you are not otherwise in default under this Agreement;

(c) You have executed a written agreement, in a form satisfactory to us, in which you agree to observe all applicable provisions of this Agreement, including the provisions with obligations and covenants that continue beyond the expiration or termination of this Agreement which includes the covenants not to compete contained in ARTICLE 8 of this Agreement, and such

other ancillary agreements as we may require for the Transfer of this Agreement and your Slumberland® Businesses;

(d) You and your Owners sign a general release of Claims, in a form acceptable to us, of all claims against us and our Affiliates, officers, directors, employees or agents;

(e) The transferee does not, and does not intend to, own, operate or be involved in any business that competes directly or indirectly with or is similar to Slumberland® Businesses;

(f) The transferee has demonstrated to our satisfaction that he, she or it meets our managerial, financial and business standards for new area developers, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the Slumberland® Businesses in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise);

(g) The transferee and all parties having a legal or beneficial interest in the transferee, including, if applicable, the transferee's Owners and Personal Guarantors as required by us, execute our then-current standard Area Development Agreement for a term ending on the date of the expiration of this Agreement and such other ancillary agreements as we may require for the Transfer of your Slumberland® Businesses. The transferee will not be required to pay any Development Fee. However, the transferee will be required to pay all additional fees and to comply with all other provisions not specified or provided for in this Agreement but which are required pursuant to the terms of the then-current standard Area Development Agreement;

(h) You have paid the $5,000 Transfer Fee (in the event of a Transfer of any Ownership Interest in you) or $10,000 Transfer Fee (in the event of any other Transfer) before the date of the Transfer for the costs incurred by us for attorneys' fees, accountants' fees, compliance with applicable laws, out-of-pocket expenses, long distance telephone calls, administrative costs and the time of our employees and officers.

You acknowledge and agree that the restrictions imposed by us on the Transfer of this Agreement are reasonable and necessary to protect the goodwill associated with the Business System and the Marks, as well as our reputation and image, and are for the protection of us, you and all other area developers that own and operate Slumberland® Businesses. Any Transfer of this Agreement permitted by this Article 10 will not be effective until we receive fully executed copies of all documents relating to the Transfer, and we have consented in writing to the Transfer.

We may expand upon, and provide more details related to, the conditions for Transfer and our consent as described in this Article 10 in writing.

10.5 Transfer to Competitor Prohibited.

You will not Transfer this Agreement to any person or Entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any business that is in any way competitive with Slumberland® Businesses. If we refuse to permit a Transfer of this Agreement under this Article 10.5, your only remedy will be to have a court of competent jurisdiction determine whether the proposed transferee is a competitor of ours.

10.6 Our Right of First Refusal.

If you or your Owners at any time desire to Transfer: (1) any interest in or any part of the Franchise, the Businesses or this Agreement, (2) an ownership interest in you, or (3) your Franchise Assets, you or your Owners must obtain a bona fide, executed written offer from a responsible and fully

disclosed purchaser and must deliver a copy of the offer to us. The written offer to us must contain all material terms and provisions of the proposed sale or assignment, including the total offer price. We have the right, exercisable by written notice delivered to you or your Owners within 30 days following receipt of the proposed offer, to purchase the respective interests and assets for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of 60 days to prepare for closing. If we waive (in writing) or fail to exercise our right of first refusal, you or your Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Owners otherwise comply with this Article 10. If the sale to the proposed purchaser is not completed within 120 days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal. Our nonacceptance of your or your Owners' written offer will not affect or change your or your Owners' obligations under this Agreement. Our rights under this Article 10 and all other Articles are fully assignable.

10.7 Guaranty.

All of your Owners (if you are a corporation, partnership or other entity) and their spouses will sign the Personal Guaranty in the form contained in this Agreement. Any person or entity that at any time after the date of this Agreement becomes an Owner of yours under the provisions of this Article 10 or otherwise will, as a condition of becoming an Owner, sign the Personal Guaranty.

ARTICLE 11
DISPUTE RESOLUTION

11.1 Mediation

We and you believe it is in our best interests to resolve all disputes quickly and amicably. As a result, in the event of any Claim between you and us, or any of our or your Affiliates, arising out of, in connection with or relating to this Agreement (and attachments), any lease or sublease for the Business premises or Franchised Location, or the relationship created by this Agreement, we and you agree to meet face-to-face at our principal place of business at the time of the meeting to discuss the Claim within 30 days after receiving notice from the other party. Each party will bear its own costs and expenses relating to the meeting. Except as otherwise stated in this Article 11.1, if the parties cannot agree to settle any Claim through a face-to-face meeting, the parties agree to submit the Claim to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within 15 days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the city in which our principal place of business is located at the time the mediation is commenced. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve a Claim within 60 days after conferring with the mediator, either party may submit the Claim to arbitration as described in Article 11.2 Either party may bring a Claim under the applicable provisions of this Article 11 without first discussing the Claim face-to-face or submitting the Claim to mediation under this Article 11.1 only for: (1) amounts owed to the party or its Affiliates under this Agreement or any other agreement between the parties or their Affiliates; or (2) Claims involving the possession or disposition of, or other relief relating to, real property. In addition, we may bring a Claim under the applicable provisions of this Article 11 without first discussing the Claim face-to-face or submitting the Claim to mediation for injunctive relief or to enforce our or our Affiliates' intellectual property rights, including without limitation those rights relating to the Marks.

11.2 Arbitration

Except for Claims for amounts you and your Affiliates owe to us or our Affiliates under this Agreement or any other agreement between the parties or their Affiliates, or for our right to seek injunctive relief as described in Article 12.1 below, any Claim must be submitted to binding arbitration under the authority of the Federal Arbitration Act. Unless the parties agree otherwise, there shall be a single arbitrator appointed to administer and rule on the dispute. The arbitrator must have at least five years of experience in franchise law. No party may consolidate its Claims with that of any other, and no consolidated, common or class arbitration will be permitted. The arbitration must take place in St. Paul, Minnesota or at such other place as may be mutually agreeable to the parties. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court in Minnesota or the state of the Franchised Location.

11.3 De Novo Hearing on Merits

If the arbitrator(s) award(s) either us or you monetary damages (including actual damages, costs and attorneys' fees) in excess of $200,000 in any arbitration proceeding commenced pursuant to this Agreement, then the party who has been held liable by the arbitrator(s) will have the right to a de novo hearing on the merits by commencing an action in a court of competent jurisdiction in accordance with the provisions of this Agreement. If the party held liable by the arbitrator(s) fails to commence a court action within 30 days after the issuance of the arbitration award in writing, then the arbitrator's(s') findings, judgments, decisions and awards will be final and binding on us and you.

11.4 Confidentiality

All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any arbitration hearing between us and you will be secret and confidential in all respects. We and you will not disclose the decision or award of the arbitrator(s) and will not disclose any evidence, testimony, records, documents, findings, orders, or other matters from the arbitration hearing to any person or Entity except as required by law.

11.5 Performance during Arbitration of Disputes

We and you will continue to perform our respective obligations pursuant to this Agreement during the arbitration of any dispute.

ARTICLE 12
ENFORCEMENT

12.1 Injunctive Relief.

Notwithstanding the provisions of Article 11 of this Agreement, we will have the right to petition a court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (a) the Marks and the Business System; (b) your obligations upon termination or expiration of this Agreement; (c) assignment of this Agreement, your Business or the Ownership Interests of you; (d) confidentiality of the Operations Modules and other materials; (e) your covenants not to compete; and (f) any act or omission by you or your employees that, (1) constitutes a violation of any applicable law, ordinance or regulation, (2) is dishonest or misleading to the customers of your Slumberland® Businesses or other Slumberland® Businesses, (3) constitutes a danger to the employees, public or customers of your Slumberland® Businesses, or (4) may impair the goodwill associated with our

Marks and the Business System. We will be entitled to receive injunctive relief against you without posting a bond or other security. You will indemnify us for all costs that we incur in any such court proceedings enforcing the provisions of this Agreement including, without limitation, attorneys' fees, expert witness fees, costs of investigation, court costs, litigation expenses, accounting fees, Travel Expenses, and all other costs incurred by us, including interest on such fees, costs, and expenses.

12.2 Severability.

All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

12.3 Waiver.

Us and you may, by written instrument signed by us and you, waive any obligation of or restriction upon the other under this Agreement. Acceptance by us of any payment by you, refusal or neglect of us to exercise any right under this Agreement or to insist upon full compliance by you of your obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure, will not constitute a waiver by us of any provision of this Agreement. We will have the right to waive obligations or restrictions for other area developers under their Franchise Agreements without waiving those obligations or restrictions for you and, except to the extent provided by law, we will have the right to negotiate terms and conditions, grant concessions and waive obligations for our other area developers without granting those same rights to you and without incurring any liability to you whatsoever.

12.4 Payments to Us.

You will not for any reason withhold payment of any payments due us or Slumberland, Inc. under this Agreement or pursuant to any other contract, agreement or obligation. You will not have the right to "offset" any liquidated or unliquidated amounts allegedly due to you from us or Slumberland, Inc. against the payments due to us or Slumberland, Inc. under this Agreement or under any other agreement or contract.

12.5 Effect of Wrongful Termination.

In the event that either we or you take any action to terminate this Agreement without first complying with terms and conditions (including, if applicable, the written notice and opportunity to cure provisions) of this Agreement, then such actions will not relieve either party of, or release either party from, any of its obligations under this Agreement, and the terms and conditions of this Agreement will remain in full force and effect until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law.

12.6 Cumulative Rights.

Our rights hereunder are cumulative and no exercise or enforcement by us of any right or remedy hereunder will preclude the exercise or enforcement by us of any other right or remedy hereunder or which we are entitled by law to enforce.

12.7 Venue and Jurisdiction.
Unless otherwise required by this Agreement or by applicable law to the contrary, all arbitration hearings, litigation, lawsuits, hearings, proceedings and other actions initiated by either party against the other party will be venued exclusively in St. Paul, Minnesota. You acknowledge that you and your officers, directors and employees have had substantial business and personal contacts with us in Minnesota. Consequently, you, and each of your officers, directors and Owners, and the Personal Guarantors do hereby agree and submit to personal jurisdiction in the State of Minnesota, and waive all rights to challenge personal jurisdiction and venue, for the purposes of any suit, proceedings or hearing brought to enforce or construe the terms of this Agreement or to resolve any Dispute arising under, as a result of, or in connection with this Agreement, the Franchised Location or your Slumberland® Businesses, and do hereby agree and stipulate that any such arbitration hearings, suits, proceedings, hearings or other actions will be exclusively venued and held in St. Paul, Minnesota. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Personal Guarantors waive any and all rights to proceed on a consolidated, common, or class basis. We also have the right to file any such suit against you in the federal or state court where the business is located. You acknowledge and agree that this Article shall survive the termination or expiration of this Agreement.

12.8 Waiver of Punitive Damages and Jury Trial.
YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES.

YOU AND WE ALSO IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM US THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

12.9 Binding Agreement.
This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

12.10 Entire Agreement.
This Agreement, including any addenda, exhibits, related acknowledgements and amendments, constituted the entire agreement between the parties with respect to the subject matter, and supersedes and terminates all prior agreements, either oral or in writing, between the parties involving the franchise relationship. Any representations, inducements, promises or agreements alleged by either us or you that are not contained in this Agreement will not be enforceable. There are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. The parties hereby acknowledge that this provision will not act as a disclaimer of the representations made by us in the Franchise Disclosure Document provided to you prior to the execution of this Agreement by you.

12.11 Joint and Several Liability.
If you consist of more than one individual, then the liability of all such individuals under this Agreement will be deemed to be joint and several.

12.12 Headings; Terms.
The headings of the Articles are for convenience only and do not define, limit or construe the contents of such Articles. The term “you” as used herein is applicable to one or more individuals, a

corporation or a partnership, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. The terms "include" and "including" also include the meaning "including without limitation."

12.13 No Oral Modification.
No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made except by a written agreement signed by a duly authorized officer, director, Chief Manager, Chief Executive Officer, or partner of you and our Chief Executive Officer, President or a Vice President. You and we will not have the right to amend or modify this Agreement orally or verbally, and any attempt to do so will be void in all respects.

ARTICLE 13
NOTICES

All notices to us and you will be in writing and will be delivered by: (a) personal service upon an officer or director of us or you; (b) prepaid registered or certified United States mail; or (c) a recognized overnight delivery service (UPS, FedEx) that requires a written receipt acknowledging receipt by an employee of the addressee. All notices to us will be addressed to the attention of Mr. Kenneth S. Larson, Chief Executive Officer, at 3505 High Point Dr. N., Building #2, Oakdale, Minnesota 55128, or such other address as we may designate in writing, with a copy to Elizabeth S. Dillon, Esq., Lathrop GPM LLP, 3100 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402. All notices to you will be addressed to the attention of your President (or such other person designated in writing by you) at any of your franchised locations, or such other address as you may designate in writing. Notices delivered by recognized delivery services that require a written confirmation of delivery to the addressee or an employee will be deemed to have been personally served under this Agreement. Any notice delivered in the manner specified herein will be deemed delivered and received, regardless of whether the recipient refuses to accept or fails to sign for the notice, if the notice is addressed and delivered to the recipient at the address set forth above or the last designated or known address of the recipient, and will be deemed effective upon written confirmation of delivery to the recipient or three business days after being mailed, whichever is applicable.

ARTICLE 14
ACKNOWLEDGMENTS

14.1 Business Risks; No Financial Projections.
You acknowledge that you have conducted an independent investigation of the Slumberland® Businesses and recognize that the business venture contemplated by this Agreement involves business and economic risks and that the financial and business success of your Slumberland® Businesses will be primarily dependent upon the personal efforts of you, your management and your employees. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential Gross Revenues, income, profits or earnings, expenses or the financial or business success of your Slumberland® Businesses, except as set forth in our Franchise Disclosure Document, a copy of which has been provided to you.

14.2 No Income or Refund Warranties.
We do not warrant or guarantee to you: (a) that you will derive income from your Slumberland® Businesses; or (b) that we will refund all or part of the Development Fee or the price you paid for

your Slumberland® Businesses or repurchase any of the products, goods, services, or the FF&E supplied or sold by us or an approved supplier if you are unsatisfied with your Slumberland® Businesses.

14.3 Retaining of Legal Counsel.
You acknowledge that we have strongly recommended to you that you should retain an attorney to review our Franchise Disclosure Document, including our Financial Statements and this Agreement, to review all leases, contracts, and other documents relating to the Slumberland® Businesses, and to advise you as to the terms and conditions of this Agreement, tax and other legal matters, and the potential economic benefits and risks of loss relating to this Agreement and the Slumberland® Businesses.

14.4 Other Area Developers.
You acknowledge that other area developers have or will be granted development agreements at different times, for different areas, under different economic conditions and in different situations, and further acknowledges that the economics, terms and conditions of such other development agreements may vary substantially in form and in substance from those contained in this Agreement.

14.5 Third Party Providers.
You acknowledge that we will have the right to enter into a management agreement with Slumberland, Inc. (or agreements with other third parties) authorizing and/or requiring Slumberland, Inc. or such third parties to provide to you the training, services and assistance required to be provided to you pursuant to the Franchise Agreements executed by you.

14.6 Receipt of Agreement and Franchise Disclosure Document.
You acknowledge that you received a copy of this Agreement with all material blanks fully completed at least seven days prior to the date you executed this Agreement. You further acknowledge that you received a copy of our Franchise Disclosure Document at least 14 days prior to the date on which this Agreement was executed.

ARTICLE 15
DISCLAIMER; AREA DEVELOPER'S LEGAL COUNSEL

15.1 Disclaimer by Us.
We expressly disclaim the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, or value of your Business that were not contained in the Franchise Disclosure Document received by you.

15.2 Acknowledgments by Area Developer.
You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, value of the Business or any other matters pertaining to the Slumberland® Businesses from us or any of our officers, employees or agents that were not contained in the Franchise Disclosure Document received by you (hereinafter referred to in this provision as "Representations"). You further acknowledge that if you had received any such Representations, you would not have executed this Agreement, and you would have: (a) promptly notified our Chief Executive Officer or President in writing of the person or persons making such Representations; and (b) provided to us a specific written statement detailing the Representations made.

15.3 Legal Representation.
You acknowledge that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon you. You have been advised by us to consult an attorney or other advisor prior to the execution of this Agreement to review our Franchise Disclosure Document, to review this Agreement in detail, to review all legal documents, to review the economics, operations and other business aspects of the Slumberland® Businesses, to determine compliance with franchising and other applicable laws, to advise you regarding all federal, state and local laws, rules, ordinances, special regulations and statutes that apply to your Business and to advise you regarding its economic risks, liabilities, obligations and rights under this Agreement.

ARTICLE 16
GOVERNING LAW; STATE MODIFICATIONS

16.1 Governing Law.
Subject to our rights under the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) and the parties' rights under the Federal Arbitration Act, this Agreement and the relationship between us and you will be governed by the laws of the state in which the Territory is located. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by us and you.

16.2 State Modifications.
Certain states have statutes which may supersede the provisions of this Agreement in your relationship with us. If the Territory is located in any one of the states described below, or if the laws of any such state are applicable because you are domiciled in such state, or if the laws of any such state are otherwise applicable, then the designated provisions of this Agreement will be amended and revised as follows:

(a) **California.** If this Agreement is governed by the laws of the State of California, then: (1) any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of California Corporations Code Section 31512 or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043); (2) California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to you concerning termination of this Agreement upon certain bankruptcy-related events. If this Agreement is inconsistent with the law, the law will control; (3) this Agreement requires binding arbitration. The arbitration will occur in St. Paul, Minnesota, with the cost being borne by the parties as determined by the arbitrator. You are encouraged to consult with 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 this Agreement; and (4) this Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(b) **Illinois.** If this Agreement is governed by the laws of the State of Illinois, then: (1) the provisions of this Agreement which designate jurisdiction or venue in a forum outside of Illinois are void, provided however, that this Agreement may provide for arbitration in a forum

outside of Illinois; and (2) any condition, stipulation or provision of this Agreement purporting to require any person acquiring a Slumberland® Franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act is void.

(a) **Minnesota.** If this Agreement is governed by the laws of the State of Minnesota, then: (1) Articles 2.2 and Article 6 of this Franchise Agreement are amended by adding the following sentences at the end of each Article: "Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes Article 80C.14, subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement;" (2) Article 12.7 of this Agreement is amended to add the following sentence: "Under Minnesota Statutes Article 80C.21, this Article will not in any way abrogate or reduce any rights of you as provided for in Minnesota Statutes, Chapter 80C, including the right to submit non-arbitrable matters to the jurisdiction of the courts in Minnesota. Minnesota statutes Article 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. and (3) notwithstanding any provisions of this Agreement to the contrary, a court of competent jurisdiction will determine whether we will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by us against you, your Owners or the Personal Guarantors.

ARTICLE 17
DEFINITIONS

For purposes of this Agreement, the following words will have the following definitions:

17.1 Franchise Agreement.
"Franchise Agreement" will mean then-current standard Slumberland® Franchise Agreement.

17.2 Terms Defined in Franchise Agreement.
Capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, have the meanings ascribed to such terms in the first Franchise Agreement you and we sign.

IN WITNESS WHEREOF, us, you and, if applicable, your Owners have respectively signed and sealed this Agreement effective as of the day and year first above written.

"WE"

SLUMBERLAND FRANCHISING, INC.

By_____
Kenneth S. Larson
Its Chief Executive Officer

"YOU"

_____
Legal Name of Area Developer

By_____

Its_____

The undersigned Owners of you hereby agree to be bound by the terms and conditions of this Agreement.

OWNERS	Percentage of Ownership
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "Personal Guaranty") is made and entered into this _____ day of _____, 20___, by and between Slumberland Franchising, Inc., a Minnesota corporation ("we" or "us"), and the undersigned personal guarantors (the "Personal Guarantors").

WHEREAS, we and the Area Developer have entered into an Area Development Agreement, dated the same date as set forth above, for the development and operation of franchised Slumberland® Businesses in the Territory (the "Area Development Agreement").

WHEREAS, it is the desire of the undersigned Personal Guarantors to personally guaranty the obligations of the Area Developer under the Area Development Agreement and to be individually, jointly and severally bound by the terms and conditions of the Area Development Agreement.

NOW, THEREFORE, in consideration of the execution of the Area Development Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Area Development Agreement, including the covenants not to compete, to be paid, kept and performed by the Area Developer.

Obligations under Agreement. The undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Area Development Agreement, including the covenants not to compete, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Area Development Agreement.

Default of Area Developer. If any default should at any time be made therein by the Area Developer, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to us the Development Fee, the Initial Fees, Continuing Fees and all other monies due and payable to us under the terms and conditions of the Area Development Agreement.

Non-Compliance by Area Developer. If the Area Developer fails to comply with any other terms and conditions of the Area Development Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Area Development Agreement for and on behalf of the Area Developer.

Obligations of Franchisor . If the Area Developer is at any time in default on any obligation to pay monies to us or any subsidiary or affiliate of ours, whether for the Development Fee, Initial Fees, Continuing Fees, merchandise, products, supplies, FF&E, or other products purchased by the Area Developer from us or any subsidiary or affiliate of ours, or for any other indebtedness of the Area Developer to us or any subsidiary or affiliate of ours, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from the Area Developer to us or any subsidiary or affiliate of ours upon default by the Area Developer.

Binding Agreement. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

Jurisdiction and Venue. Except as precluded by applicable law, all litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with Article 12.7 of the Area Development Agreement.

PERSONAL GUARANTORS

Individually	Individually
[PRINT NAME]	[PRINT NAME]
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone
Individually	Individually
[PRINT NAME]	[PRINT NAME]
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone
Individually	Individually
[PRINT NAME]	[PRINT NAME]
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone

EXHIBIT A
SLUMBERLAND FRANCHISING, INC.
AREA DEVELOPMENT AGREEMENT

DEVELOPMENT INFORMATION

1. **Description of Territory:** _____

_____

_____

2. **Development Fee:** Developer shall pay a Development Fee referred to in Section 3.1 is equal to $_____ (sum of (i) $50,000 for the first Slumberland® Business you must develop, plus (ii) $25,000 multiplied by the number of additional Slumberland® Businesses you must develop).

3. **Development Schedule:** The Development Schedule referred to in Section 4.1 is as follows:

Business Number	Location of Business	Date by Which Franchise Agreement Must be Signed	Date by Which Slumberland® Business Must be Opened and Continuously Operating in Territory	Cumulative Number of Slumberland® Businesses Required to be Open and Continuously Operating in Territory as of Date in Preceding Column
1		Date of this Agreement	12 months after date of Franchise Agreement	1
2				
3				
4				
5				
6				
7				
8				
9				
10				

[Signature page follows]

APPROVED AND ACCEPTED BY:

SLUMBERLAND FRANCHISING, INC.

By_____
Kenneth S. Larson
Its Chief Executive Officer

"Area Developer"

_____

By_____
Its_____

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F: FINANCING DOCUMENTS

[THESE ARE SAMPLE FORMS THAT MAY CHANGE OVER TIME]

PROMISSORY NOTE

$_____ _____ , 20____
Oakdale, Minnesota

1. FOR VALUE RECEIVED,_____**,** a _____ _____ (the "**Maker**"), hereby promises to pay to the order of ,_____**,** a _____ _____ (hereinafter called the "**Holder**"), at 3505 High Point Dr. No., Building #2, Oakdale, MN 55128, or at such other place as the Holder shall notify the undersigned in writing, the principal sum of _____ and 00/100ths ($_____) Dollars, or so much thereof as may be advanced to, or for the benefit of, the Maker and be outstanding from time to time during the term of this Promissory Note (this "**Note**"), with interest thereon at the rate of _____ percent (____%) per annum, to be computed on each advance made to the Maker hereunder, and which remains unpaid, in lawful money of the United States and immediately available funds. Interest shall be computed on the basis of a year of three hundred sixty five (365) days, but charged for actual days principal is outstanding.

2. USE OF PROCEEDS. The Maker shall use the proceeds of this Note to finance the operation of the Maker's **SLUMBERLAND**® retail business, including but not limited to the acquisition of inventory from Slumberland, Inc., a Minnesota corporation, or its affiliates (collectively, "**Slumberland**"). The Maker agrees that the proceeds of this Note are to be used only for the purposes set forth in this Section.

3. PAYMENT. Interest payments on the outstanding principal balance of this Note are due on the first (1st) and _____ (____th) day of each month (each a "**Payment Date**") beginning on _____, 20___ and continuing on each Payment Date thereafter until the Maturity Date. The outstanding principal balance of this Note, together with all accrued interest, if not paid sooner, shall be due and payable in full on _____, 20____ (the "**Maturity Date**"). All payments and prepayments, if any, shall at the option of the Holder be applied first to any unpaid collection costs, then to late charges, then to accrued and unpaid interest, and then to principal.

4. PREPAYMENTS, ETC. This Note may be prepaid in whole or in part at any time at the option of Maker without penalty or premium. Credits and incentives relating to the outstanding amounts due hereunder, if any, shall be set forth on Annex 1, which is incorporated herein by this reference. All payments under this Note shall be made by automated clearing house ("**ACH**") payments and the Maker agrees to execute any instruments and take any other actions requested by the Holder to establish such ACH payment arrangements.

5. LATE CHARGES. If the Maker fails to make any payment to the Holder within ten (10) days of the due date thereof, the Maker shall, in addition to the amount then due, pay a late charge equal to five percent (5.0%) of the amount of such payment.

6. DEFAULT INTEREST. Upon the occurrence of an Event of Default (as defined below), any payment of principal or, to the extent permitted by applicable law, interest on this Note not paid when due, whether by regular installment, upon prepayment, by acceleration, at maturity or otherwise, shall thereafter bear interest at a rate per annum equal to ten percent (10.0%) in excess of the rate then applicable to this Note, provided that in no event shall the applicable rate of interest due under this Note exceed the Maximum Rate.

7. MAXIMUM RATE. The Maker shall not be required to pay unearned interest on this Note, or ever be required to pay interest on this Note at a rate in excess of the Maximum Rate, if any. If the effective rate of interest which would otherwise be payable under this Note would exceed the Maximum Rate, then the rate of interest which would otherwise be contracted for, charged, or received under this Note shall be reduced to the Maximum Rate. "**Maximum Rate**" as used

herein means the maximum nonusurious rate of interest, if any, at any time, or from time to time, that may be contracted for, taken, reserved, charged or received under applicable state law.

8. SECURITY. This Note is secured by, among other instruments, Personal Guaranty(ies) of _____ dated _____, 20___, a Security Agreement executed by the Maker dated _____, 20___, a Real Estate Mortgage or Deed of Trust dated _____, 20___, and _____ (all such agreements and all other agreement executed in connection with this Note are collectively referred to herein as the "**Loan Documents**" and sometimes individually as a "**Loan Document**"). In the event any security pledged by the Maker to secure this Note is found to be invalid for whatever reason, such invalidity shall constitute an event of default hereunder. All of the agreements, conditions, covenants, provisions, and stipulations contained in any instrument securing this Note are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note.

9. ADDITIONAL COVENANTS. In addition to covenants set forth above, the Maker agrees to the agreements and covenants, if any, set forth on Annex 2, which is incorporated herein by this reference.

10. EVENTS OF DEFAULT. Each of the following is an "**Event of Default**" under this Note: (a) the Maker fails to pay any of the obligations hereunder when due, (b) the Maker fails to timely perform any other obligation owing to the Holder hereunder, (c) the Maker fails to timely pay or perform any obligation owing to the Holder or Slumberland, including without limitation, the obligations set forth in that certain **SLUMBERLAND**® Franchise Agreement dated _____, 20____, between Slumberland Franchising, Inc., a Minnesota corporation, and the Maker, as the same has been or may be modified from time to time hereafter, (d) a default or event of default occurs under any other material contract of the Maker, (e) any representation made by the Maker in this Note or any agreement executed in connection with this Note proves to have been false or misleading when made, (f) the Maker ceases to conduct its business, (g) the Maker is or becomes insolvent, however defined, (h) any material adverse change in the business, results of operations, assets, liabilities, or financial condition of the Maker, as determined in the reasonable business judgment of the Holder or Slumberland or (h) the Maker voluntarily files, or has filed against it or him or her involuntarily, a petition under the United States Bankruptcy Code.

11. ACCELERATION. Upon the occurrence at any time of an Event of Default or at any time thereafter, the outstanding principal balance hereof plus accrued interest hereon plus all other amounts due hereunder shall, at the option of the Holder, be immediately due and payable, without notice or demand and the Holder shall be entitled to exercise all remedies provided in this Note or any other Loan Document.

12. SET OFF. The occurrence at any time of an Event of Default or at any time thereafter, the Holder shall have the right to set off any and all amounts due hereunder by the Maker to the Holder against any indebtedness or obligation of the Holder or Slumberland to the Maker.

13. OTHER REMEDIES. In addition to the other remedies and relief set forth herein, upon the occurrence of an Event of Default, the Holder may, at its option, exercise any or all of the rights and remedies set forth in the Security Agreement, and other Loan Document or other agreement securing the Maker's obligations hereunder. The Holder may also take any action or proceeding at law or in equity which it deems advisable for the protection of its interests to collect and enforce payment hereunder. The Maker agrees to pay on demand all costs of collecting or enforcing payment under this Note and any other Loan Document, including attorneys' fees and legal expenses, whether suit be brought or not, and whether through courts of original jurisdiction, courts of appellate jurisdiction, or bankruptcy courts, or through other legal proceedings.

14. WAIVERS. The Maker waives presentment, dishonor, protest, demand, diligence, notice of protest, notice of demand, notice of dishonor, notice of nonpayment, and any other notice of any kind otherwise required by law in connection with the delivery, acceptance, performance, default,

enforcement or collection of this Note and expressly agrees that this Note, or any payment hereunder, may be extended or subordinated (by forbearance or otherwise) at any time, without in any way affecting the liability of the Maker.

15. GOVERNING LAW. This Note shall be governed by, construed and enforced in accordance with the internal laws of the State of Minnesota without regard to its conflicts of laws principles.

16. VENUE, ETC. The Maker hereby irrevocably submits to the jurisdiction of any Minnesota state court or federal court over any action or proceeding arising out of or relating to this Note and any of the other Loan Documents, and the Maker hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Minnesota state or federal court. The Maker hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Nothing in this Note or any other Loan Document shall affect the right of the Holder to bring any action or proceeding against the Maker or its property in the courts of any other jurisdiction to the extent permitted by law. A signature on this Note by email, telecopier or any other electronic means shall be as binding and enforceable against the signatory as an original signature.

The "Maker"

_____

By: _____

Its: _____

SECURITY AGREEMENT

This SECURITY AGREEMENT ("**Agreement**") is made to be effective as of _____, 20__, by _____ , a _____ _____("**Debtor**") and _____ (the "**Secured Party**").

AGREEMENT

In consideration of the above recitals, and the promises set forth in this Agreement, the parties agree as follows:

1. **Defined Terms.** Unless otherwise defined herein, capitalized terms used in this Agreement have the meanings given to such terms in the Uniform Commercial Code ("UCC") in effect in the State where the Collateral is located.

2. **Credit Terms.**

(a) Secured Party will, from time to time, establish credit limits for Debtor's Slumberland® Business. Debtor's credit limit will represent the maximum amount of products and merchandise that Debtor will be able to order from Secured Party on open account ("Credit Limit"). If Debtor's products and merchandise purchase requirements will exceed Debtor's Credit Limit with Secured Party, then Debtor will need to arrange additional financing with a bank or other commercial lender. Any additional financing arranged with a bank or other commercial lender must be subordinate to the Credit Limit established with Secured Party.

(b) Debtor's Credit Limit on open account with Secured Party is $_____. Secured Party will have the right in its sole discretion to reduce or increase Debtor's Credit Limit at any time. The Credit Limit will be reviewed monthly and Debtor will be notified in writing of any change in the Credit Limit.

(c) These credit terms do not and will not affect the terms applicable to any fees or payments, including Continuing Fees, payable by Debtor pursuant to the Franchise Agreement dated _____, between Debtor and Slumberland Franchising, Inc. ("Franchisor"), as may be amended, supplemented or restated from time to time (the "Franchise Agreement").

3. **Payment Terms.**

(a) Payment by Debtor for all product and merchandise purchases will be subject to Secured Party's standard franchise credit terms and conditions, which may be amended periodically. The franchise credit terms and conditions currently include net 30 days from the date of the invoice. If payment is not received within 30 days from the date of the invoice, then Secured Party will have the right to charge Debtor interest at the rate of eighteen percent (18%) per annum on the unpaid balance, or the maximum amount of interest permitted by applicable law, whichever interest rate is lessor.

(b) If payment for any purchase is not received within 60 days from the date of the invoice, then Secured Party will have the right to ship products and merchandise to Debtor on a cash on delivery ("C.O.D.") basis, or Secured Party, in its sole discretion, may declare this to be an Event of Default and exercise any remedies available to Secured Party under this Agreement. In addition, Secured Party will have the right to inform third party suppliers of such product and/or merchandise of Debtor's credit limitations.

4. **Guaranty.** Each owner of Debtor as defined in the Franchise Agreement is required to personally guaranty all outstanding amounts due to Secured Party for product and merchandise purchased on open account, by signing and delivering to Secured Party a Guaranty, the form of which is attached hereto as Exhibit A.

5. **Grant of Security Interest.** Debtor hereby grants to Secured Party a first priority continuing security interest in and to, and a pledge of, all of Debtor's tangible personal property purchased from Secured Party (the "Collateral"), whether now owned or existing or hereafter acquired or arising and wheresoever located, together with all accessions to, substitutions for, and all replacements of, and to the extent not otherwise included in the foregoing, all cash and non-cash Proceeds and products of the above-described Collateral including, but not limited to, Proceeds of insurance policies constituting or insuring such Collateral.

6. **Obligations Secured.** The security interest herein granted secures any and all of Debtor's indebtedness and other obligations to Secured Party of whatsoever nature, fixed or contingent, whether now existing or hereafter arising (collectively, the "Secured Obligations").

7. **Perfection of Security Interest; Further Actions.** Debtor hereby authorizes Secured Party to file any financing statement, amendment or continuation statement on Debtor's behalf which may be reasonably required by Secured Party to evidence, perfect, or record Secured Party's security interest in the Collateral or to enable Secured Party to exercise and enforce its rights and remedies with respect to any Collateral. Debtor agrees that, notwithstanding any provision in the UCC to the contrary, Debtor shall not file a termination statement of any financing statement filed by Secured Party in connection with any security interest granted under this Agreement if Secured Party reasonably objects to the filing of such termination statement. Further, Debtor shall bear all of the costs and expenses in connection with the granting of security interests in the Collateral, the filing of financing statements and other actions in connection with the perfection of the security interests herein granted.

8. **Representations and Agreements.**

(a) Debtor is duly organized, validly existing and in good standing under the laws of the State of its formation, has the power and authority to carry on its business and to enter into and perform all documents relating to this transaction, and is qualified to do business in each jurisdiction in which such qualification is required. All information to this regard provided to Secured Party by Debtor and its operations is true and correct.

(b) Debtor's chief executive office is located at the address set forth on Exhibit B attached hereto and Debtor will not move its chief executive office except to such new location as Debtor may establish in accordance with the last sentence of this Article 8(b). All Collateral is, and will continue to be, maintained at, and controlled and directed (including, without limitation, for general accounting purposes) from, the locations described in Exhibit B or at such new location(s) as Debtor may establish in accordance with the last sentence of this Article 8(b). Debtor shall not establish any new location for such chief executive office until (i) it has given to Secured Party at least 10 days prior written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as Secured Party may reasonably request, and (ii) with respect to such new location, it shall have taken all action, reasonably satisfactory to Secured Party, to maintain the security interest of Secured Party in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

(c) The only locations at which is located any Inventory (other than Inventory sold or leased to Debtor's customers in the ordinary course of Debtor's business) of Debtor (including, without limitation, the location of any warehouse, bailee or consignee at which the Collateral is located) are set forth on Exhibit B hereto, and Debtor agrees that all Inventory shall at all times hereafter be kept at one of such locations set forth on Exhibit B, unless Debtor complies with the following sentence. Debtor shall not establish any new location for Inventory until (i) it has given to Secured Party at least 10 days prior written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as Secured Party may reasonably request, and (ii) with respect to such new location, it shall have taken all action, reasonably satisfactory to Secured Party, to maintain the security interest of Secured Party in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

9. **Title to Collateral; Liens; Transfers.** Debtor has good and indefeasible title to and ownership of the Collateral, free and clear of all liens, other than the security interest granted herein by Debtor. Debtor shall not encumber, pledge, mortgage, grant a security interest in, assign, sell, lease or otherwise dispose of or transfer, whether by sale, liquidation or otherwise, any of the Collateral. Notwithstanding the foregoing, this Article 9 does not restrict Debtor's right to sell Inventory in the ordinary course of business.

10. **Other Changes Affecting Perfection.** Debtor shall not, without giving Secured Party 10 days' prior written notice thereof and taking such steps, reasonably satisfactory to Secured Party, as may be necessary or appropriate to maintain the perfection in full force and effect of the lien in the Collateral: (a) add any new places of business or close any of its existing places of business, (b) make any change in Debtor's name or adopt or operate under any trade name, assumed name or fictitious name or otherwise add any name under which Debtor does business, or (c) make any other change (other than the sale of Inventory in the ordinary course of business) which might affect the perfection or priority of Secured Party's lien in the Collateral.

11. **Maintenance of Insurance; Power of Attorney for Insurance.**

(a) Debtor shall at all times maintain the insurance policies required by, and in the amounts described in, the Franchise Agreement. So long as no Event of Default (as defined in Article 23) exists, upon Debtor's request, Secured Party shall disburse to Debtor insurance Proceeds received by Secured Party, which shall be used by Debtor solely for the purpose of repair and restoration of the property giving rise to such Proceeds; provided that Debtor shall deliver to Secured Party a certificate in form and substance reasonably satisfactory to Secured Party confirming the absence of any Event of Default at the time of each such disbursement.

(b) Debtor shall at all times maintain insurance on the Collateral and shall promptly deliver to Secured Party true copies of all reports with respect to the Collateral made to insurance companies. Debtor hereby irrevocably makes, constitutes, and appoints Secured Party (and all officers, employees, or agents designated by Secured Party), upon and during the continuance of an Event of Default, but subject to Article 24 below, as its true and lawful attorney-in-fact and agent, with full power of substitution, such that Secured Party shall have the right and authority, to make and adjust claims under such policies of insurance, receive and endorse the name of Debtor on, any check, draft, instrument or other item of payment for the Proceeds of such policies of insurance and make all determinations and decisions with respect to such policies of insurance. Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable. Without waiving or releasing any of Debtor's obligations under this Agreement, Secured Party may (but shall not be required to) at any time or times upon and during the continuance of an Event of Default take such actions with respect thereto as Secured Party deems advisable. All sums disbursed by Secured Party in connection therewith (including, but not limited to, reasonable attorneys' and paralegals' fees and disbursements, court costs, expenses and other charges relating thereto) shall be payable on demand, and until paid by Debtor to Secured Party, shall be additional Secured Obligations under this Agreement secured by the Collateral.

12. **Maintenance of Records.** Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral including, but not limited to, the originals of all documentation (including each contract) with respect thereto, records of all payments received, all credits granted thereon, and all other dealings therewith. Debtor shall, if requested by Secured Party, deliver to Secured Party copies of all documents evidencing the Collateral and copies of such other documents relating thereto as Secured Party may reasonably request. If Secured Party so directs after the occurrence and during the continuance of an Event of Default, Debtor shall legend, in form and manner reasonably satisfactory to Secured Party, any Collateral, as well as books, records and documents of Debtor evidencing or pertaining to the Collateral, with an appropriate reference to the fact that the Collateral has been assigned to Secured Party and that Secured Party has a security interest therein.

13. **Limitations on Dispositions of Inventory.** Debtor shall not sell, transfer, lease or otherwise dispose of any of the Inventory, or attempt, offer or contract to do so, except for dispositions of Inventory in the ordinary course of business.

14. **Protection of Collateral; Reimbursement.** All insurance expenses and all expenses of protecting, storing, warehousing, insuring, handling, maintaining, and shipping any Collateral, any and all excise, property, sales, use, or other taxes imposed by any state, federal, or local authority on any of the Collateral, or in respect of the sale thereof, or otherwise in respect of Debtor's business operations which, if unpaid, could result in the imposition of any lien upon the Collateral, shall be borne and paid by Debtor. If, after notice to Debtor, Debtor fails to promptly pay any portion thereof when due, except as may otherwise be permitted under this Agreement, Secured Party, at its option, may, but shall not be required to, pay the same. All sums so paid or incurred by Secured Party for any of the foregoing and any and all other sums for which Debtor may become liable under this Agreement and all costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements, court costs, expenses and other charges related thereto) which Secured Party may incur in enforcing or protecting its liens on or rights and interests in the Collateral or any of its rights or remedies under this Agreement or in respect of any of the transactions to be had under this Agreement shall be repayable on demand and, until paid by Debtor to Secured Party, shall be additional Secured Obligations under this Agreement secured by the Collateral. Unless otherwise provided by law, Secured Party shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever.

15. **Inspection Rights; Verification.** During regular business hours and after reasonable notice to Debtor, Secured Party (by any of its officers, employees, agents, representatives, or designees) shall have the right to inspect the Collateral and to inspect all books, records, journals, orders, receipts, or other correspondence related thereto (and to make extracts or copies thereof as Secured Party may desire) and to inspect the premises upon which any of the Collateral is located for the purpose of verifying the amount, quality, quantity, value, and condition of, or any other matter relating to, the Collateral.

16. **Status of Collateral.** Debtor agrees to promptly given written notice to Secured Party, in sufficient detail, of any event which could have a material adverse effect on the value of the Collateral or on the security interests granted to Secured Party herein.

17. **General Appointment as Attorney-in-Fact.** Debtor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in its own name, from time to time following the occurrence and during the continuance of an Event of Default, in Secured Party's reasonable discretion, but subject to Article 24 below, for the purpose of carrying out the terms of this Agreement, without notice (except as specifically provided herein) to or assent by Debtor, to take any and all appropriate action and to execute any and all documents and instruments consistent with this Agreement which may be necessary or desirable to accomplish the purposes of this Agreement including, without limiting the generality of the foregoing, the power and right, on behalf of Debtor, to do the following: (a) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance, called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof, and otherwise to itself perform or comply with, or otherwise cause performance or compliance with, any of the covenants or other agreements of Debtor contained in this Agreement which Debtor has failed to perform or with which Debtor has not complied; (b) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any Proceeds thereof and to enforce any other right in respect of any Collateral; (c) to defend any suit, action or proceeding brought against Debtor with respect to any Collateral; (d) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and (e) to generally sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes; and to do, at Secured Party's option and Debtor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve or realize upon the Collateral

and Secured Party's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as Debtor might do. Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

18. **Secured Party Not Liable; Waivers.**

(a) The powers conferred on Secured Party hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act, except for its own gross negligence or willful misconduct.

(b) Except as otherwise provided in this Agreement, DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, DEMAND, PRESENTMENT, PROTEST , NOTICE, AND JUDICIAL HEARING IN CONNECTION WITH SECURED PARTY'S TAKING POSSESSION OR SECURED PARTY'S DISPOSITION OF ANY OF THE COLLATERAL INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH DEBTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and Debtor hereby further waives, to the extent permitted by law: (i) all damages occasioned by such taking of possession except any damages which are the direct result of Secured Party's gross negligence or willful misconduct; (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of Secured Party's rights hereunder; and (iii) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and Debtor for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

(c) Any sale of, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of Debtor therein and thereto, and shall be a perpetual bar both at law and in equity against Debtor and against any and all persons claiming or attempting to claim the Collateral so sold or realized upon, or any part thereof, from, through and under Debtor.

19. **Authority to Execute Transfers.** Without limitation of any authorization granted to Secured Party hereunder, Debtor also hereby authorizes Secured Party, upon the occurrence and continuance of an Event of Default, to execute, in connection with the exercise by Secured Party of its remedies hereunder, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

20. **Performance by Secured Party of Debtor's Obligations.** If Debtor fails to perform or comply with any of the terms contained herein and Secured Party shall itself perform or comply, or otherwise cause performance or compliance, with such term, the expenses of Secured Party incurred in connection with such performance or compliance, shall be payable by Debtor to Secured Party on demand and shall constitute Secured Obligations secured hereby. Secured Party will notify Debtor as soon as it is practicable of any action taken by it of the nature referred to herein.

21. **Reinstatement.** The provisions of this Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Debtor for liquidation or reorganization, should Debtor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Debtor's assets or should any other financial impairment occur, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee

of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. If any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

22. **Termination of Security Interest; Release of Collateral.** Upon the payment in full of all Secured Obligations and the termination or expiration of the Franchise Agreement with Franchisor: (a) the security interests granted to Secured Party under this Agreement shall terminate, (b) all rights to the Collateral shall revert to Debtor, (c) Secured Party will, at Debtor's expense, execute and deliver to Debtor such documents as Debtor may reasonably request to evidence the termination of such security interests and the release of such Collateral, and (d) this Agreement shall be terminated, and Debtor shall have no further liabilities or obligations thereunder (except any liabilities and/or obligations which under the terms of this Agreement survive termination of such agreements).

23. **Events of Default.** Upon the occurrence of any of the following events (each, an "Event of Default"), Secured Party may, at its option, without any demand or notice whatsoever, in addition to its remedies stated in Articles 24 and 25, declare all or any portion of the Secured Obligations to be fully due and payable, together with accrued interest applicable thereto:

(a) any failure to make any payment when due pursuant to Article 3(a) under this Agreement;

(b) any representation or warranty of Debtor set forth in this Agreement is materially inaccurate or misleading;

(c) Debtor fails to observe or perform or violates any other term or condition of this Agreement, the Franchise Agreement or any other term or condition set forth in any other agreement, instrument or document evidencing, guarantying or otherwise related to this Agreement, the Franchise Agreement or any other Secured Obligation, or Debtor otherwise defaults in the observance or performance of any covenant or agreement set forth in any of the foregoing for a period of 30 days after written notice to Debtor of such failure or default;

(d) the commencement by Debtor or any guarantor of a voluntary case under applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or the entry of a decree or order for relief in respect of Debtor or any guarantor in a case under any such law or appointing a receiver, liquidator, assignee, custodian, trustee (or other similar official), the making by Debtor or any guarantor of any general assignment for the benefit of creditors, or the failure of Debtor or any guarantor generally to pay its debts as such debts become due, or the taking of action by Debtor or any guarantor in furtherance of any of the foregoing; or

(e) any sale, conveyance or transfer of any rights in the Collateral or any destruction, loss or damage of or to any material portion of the Collateral.

24. **Remedies.**

(a) Upon and during the continuance of an Event of Default, Secured Party has all the rights and remedies set forth in this Agreement and any additional rights to which a secured party is entitled under the UCC (including, without limitation, foreclosure and secured party sale), at law or in equity. Without limiting the generality of the foregoing, upon the occurrence of an Event of Default (unless appropriately waived in writing in accordance with this Agreement), Secured Party may, in Debtor's or Secured Party's name: (i) demand payment on any Collateral, (ii) enforce payment on any Collateral, by legal proceedings or otherwise, (iii) exercise all of Debtor's rights and remedies with respect to the Collateral and the collection on any Collateral, (iv) settle, adjust, or compromise any legal proceedings brought to collect on any Collateral, (v) if permitted by applicable law, sell or assign any Collateral upon such terms, for such amounts, and at such time or times as Secured Party deems advisable, (vi) discharge and release any Collateral, (vii) take control, in any manner, of any Collateral and any item of payment or

Proceeds relating to any Collateral, or (viii) endorse the name of Debtor upon any Collateral and upon any of the items of payment or Proceeds relating to any Collateral and deposit the same to the account of Secured Party on account of the Secured Obligations.

(b) Without limiting the generality of the foregoing, Secured Party may: personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from Debtor or any other person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon Debtor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of Debtor; (ii) sell, assign or otherwise liquidate, or direct Debtor to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof, and take possession of the Proceeds of any such sale or liquidation; and (iii) take possession of the Collateral or any part thereof, by directing Debtor in writing to deliver the same to Secured Party at any place or places reasonably designated by Secured Party, in which event Debtor shall at its own expense:

(A) forthwith cause the same to be moved to the place or places so reasonably designated by Secured Party and there delivered to Secured Party,

(B) store and keep any Collateral so delivered to Secured Party at such place or places pending further action by Secured Party, and

(C) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the Collateral and to preserve and maintain the Collateral in good condition; it being understood that Debtor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, Secured Party shall be entitled to a decree requiring specific performance by Debtor of said obligation.

(c) Secured Party's rights and remedies hereunder are cumulative, and may be exercised together, separately, and in any order. No delay on the part of Secured Party in the exercise of any such right or remedy shall operate as a waiver. No single or partial exercise by Secured Party of any right or remedy shall preclude any other further exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Secured Party of any Event of Default is effective unless in writing and signed by Secured Party, nor shall a waiver on one occasion be construed as a waiver of any other occurrence in the future.

25. **Additional Remedies.** Upon the occurrence and during the continuance of an Event of Default, to the extent permitted by applicable law and in addition to any other right or remedy provided for in this Agreement, Secured Party shall have each of the following rights and remedies:

(a) Possession of Collateral. Secured Party shall have the right to take immediate possession of the Collateral and all Proceeds relating to such Collateral and (i) require Debtor, at Debtor's expense, to assemble the Collateral and make it available to Secured Party at Debtor's principal place of business or (ii) enter any of the premises of Debtor or wherever any Collateral shall be located and to keep and store the same on such premises until sold. If the premises on which the Collateral is located is owned or leased by Debtor, then Debtor shall not charge Secured Party for storage of such Collateral on such premises for a period of at least 120 days after the date on which Secured Party enters onto such premises and takes possession of the Collateral.

(b) Foreclosure of Liens. Secured Party shall have the right to foreclose the liens created under this Agreement or under any other agreement relating to the Collateral.

(c) Disposition of Collateral. Secured Party shall have the right to sell or to otherwise dispose of all or any Collateral in its then condition at public or private sale or sales, wholesale dispositions, or sales pursuant to one or more contracts, with such notice as may be

required by law, in lots or in bulk, for cash or on credit, all as Secured Party, in its discretion, may deem advisable. Debtor acknowledges and covenants that 10 days written notice to Debtor of any public or private sale or other disposition of the Collateral shall be reasonable notice thereof, and such sale shall be at Debtor's premises or at such other locations where the Collateral then is located, or as otherwise determined by Secured Party. Secured Party shall have the right to conduct such sales on Debtor's premises, without charge therefore, and such sales may be adjourned from time to time in accordance with applicable law without further requirement of notice to Debtor, and Debtor shall permit Secured Party to conduct a sale or sales from such premises at any time and from time to time and permit purchasers and prospective purchasers access to such premises and the Collateral for the purposes of inspecting, bidding, removal of the Collateral and other activities incident to such sale. Secured Party shall have the right to bid or credit bid any such sale on its own behalf.

(d) Notification to Other Persons. With respect to the Collateral, Secured Party shall have the right to notify other persons indebted to Debtor of Secured Party's interest in any such amounts payable to Debtor, to instruct such other persons to remit such amounts directly to Secured Party, and, upon collection of the same, to apply same to the Secured Obligations.

26. **Binding Effect; Assignment.** This Agreement shall become effective when it has been executed by Debtor and by Secured Party and thereafter shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns.

27. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota without giving effect to any choice of or conflict of law provision or rule (whether in the State of Minnesota or any other jurisdiction); provided that the laws of any other state in which the Collateral is located shall govern the perfection of the security interest therein created hereby.

28. **Severability of Provisions; Captions.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. The captions to sections and subsections herein are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement.

29. **Entire Agreement.** This Agreement, together with its Exhibits, constitutes the complete and exclusive agreement of the parties as to the transactions contemplated by this Agreement. Usage of trade, course of performance, and course of dealing evidence will not be used to contradict, explain, supplement, or otherwise affect this Agreement, and no extrinsic evidence may be offered to resolve or introduce an ambiguity in the Agreement. No amendment of this Agreement will be valid unless it is signed by both parties hereto.

30. **JURY TRIAL WAIVER.** DEBTOR AND SECURED PARTY HEREBY IRREVOCABLY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE RELATIONSHIPS THEREBY ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Agreement including, without limitation, contract claims, tort claims, breach of duty claims, and all other statutory and common law claims. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THIS AGREEMENT. In the event of litigation, this provision may be filed as a written consent to a trial by the court.

31. **Notices.** All notices specified in this Agreement must be in writing and delivered to the parties at the addresses listed below (a) by personal service evidenced by an affidavit of personal services, (b) by pre-paid U.S. Certified Mail, (c) by a recognized overnight carrier such as Federal Express or UPS that requires a signature acknowledging delivery to the addressee or (d) where the addressee acknowledges receipt.

Ms. Molly Hayes
Chief Financial Officer
Slumberland, Inc.
3505 High Point Dr. No.
Building #2
Oakdale, MN 55128
Fax: (651) 482-0157
E-mail: molly.hayes@slumberland.com

_____
_____
_____
_____
Fax: _____
E-mail:_____

All notices will be effective when received. Any notice of change of address shall be effective only upon receipt.

32. **Further Assurances.** In connection with any assignment or transfer of all or any portion of the Secured Obligations or the Collateral by Secured Party to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect of such Secured Obligations or Collateral, Debtor agrees to execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any and all other agreements, documents or instruments requested by Secured Party and/or its assignee or transferee.

33. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

DEBTOR:

_____
By_____
Its_____

Address:
_____
_____
_____

SECURED PARTY:

_____
By_____
Its_____

Address:
_____
_____
_____

CONTINUING GUARANTY

As an inducement to _____ , a _____ _____(the "**Lender**") to extend credit to _____ , a _____ _____((the "**Borrower**"), but without obligation on the Lender to do so, the undersigned (whether one or more, the "**Guarantor**"), jointly and severally, agrees as follows (this **"Guaranty**"):

1. OBLIGATIONS GUARANTEED. Guarantor by this Guaranty irrevocably, absolutely, and unconditionally guaranties to the Lender the full and punctual payment and performance of the following "**Obligations**": (a) payment of the entire principal balance of any and all indebtedness extended to the Borrower by the Lender, including without limitation, under that certain promissory note of even date herewith together with all amendments, extensions, renewals and replacements thereof (the "**Note**"); (b) payment of all amounts, including without limitation, interest, premiums, fees, attorneys' fees and legal expenses (to the extent permitted by applicable law), for which the Borrower is liable under the Note; and (c) the performance and observance by the Borrower of all of the warranties, agreements and terms set forth in the Note, all documents related thereto or executed in connection therewith, and that certain **SLUMBERLAND**® Franchise Agreement dated _____, 20__, between Slumberland Franchising, Inc., a Minnesota corporation, and the Borrower, as the same has been or may be modified from time to time hereafter (the "**Franchise Agreement**"). This is a continuing guaranty under which Guarantor agrees to guaranty the full and punctual payment, performance and satisfaction of the Obligations of the Borrower, now existing or hereafter arising or acquired on an open and continuing basis. Accordingly, any payments made on the Obligations will not discharge or diminish Guarantor's obligations and liability hereunder for any remaining and succeeding indebtedness even when all or part of the outstanding Obligations may be a zero balance from time to time.

2. WAIVER AND CONSENT. Guarantor waives diligence, presentment, protest, notice of dishonor, notice of default by the Borrower, demand for payment, extension of time for payment, notice of acceptance of this Guaranty, and indulgences and notices of every kind. To the extent permitted under applicable law, Guarantor waives any rights of subrogation, indemnity, reimbursement and contribution which would otherwise be acquired by Guarantor by reason of its payment of any part of the Obligations. The Lender may do the following from time to time without notice to, or consent of, Guarantor and without affecting Guarantor's liability under this Guaranty: (a) upon agreement with the Borrower, change the terms of the Obligations or of any debts or liabilities of the Borrower including without limitation renew, extend or accelerate the time for payment or performance and change the interest rate; (b) release, settle or compromise any debts or liabilities of the Borrower; (c) exchange, modify, release, impair, or fail to perfect a security interest in, any collateral securing the Obligations; (d) Guarantor shall remain liable until all terms of the Obligations are fully performed by the Borrower, notwithstanding any event that would, in the absence of these provisions, result in the discharge of Guarantor.

3. ENFORCEMENT. The Lender may enforce this Guaranty without first proceeding against the Borrower, any other guarantor, any other person or any security or collateral and without first pursuing any other right or remedy. This Guaranty remains enforceable regardless of any defenses which the Borrower may assert on the Obligations including but not limited to failure of consideration, breach of warranty, fraud, statute of frauds, bankruptcy, lack of legal capacity, statute of limitations, the Lender liability, accord and satisfaction, and usury. If foreclosure or other remedy is pursued, only the net proceeds, after deduction of all charges and expenses, shall be applied to the amount due on the Obligations. The Lender shall not be required to institute or prosecute proceedings to recover any deficiency as a condition of payment hereunder or enforcement hereof. The Lender may purchase all or part of the collateral or security at any foreclosure or other sale for its own account and may apply the amount bid against the amount due on the Obligations.

4. EXPENSES OF ENFORCEMENT. If this Guaranty is enforced by the Lender, Guarantor will reimburse the Lender for all expenses incurred in connection with enforcement including without

limitation, collection costs, and reasonable attorneys' fees to the extent such fees are allowable under applicable law.

5. ALTERATION OF OBLIGATIONS. No provision of this Guaranty shall be construed to amend the Obligations or to relieve the Borrower of any Obligations. This Guaranty, together with any written addenda, is a complete and exclusive statement of the Guaranty between the parties. No course of dealing, course of performance, trade usage, oral agreements or parol evidence shall be used to modify its terms.

6. OBLIGATION OF GUARANTOR. If more than one person or party executes this Guaranty as Guarantor, this Guaranty shall bind all such persons and parties jointly and severally. Guarantor acknowledges that Guarantor has adequate means to obtain from the Borrower on a continuing basis, information on the financial condition of the Borrower and that Guarantor is not relying on the Lender to provide this information, now or in the future. The liability of Guarantor shall be reinstated to the extent the Lender is required at any time to return any amount then previously received in payment of the Obligations for any reason including without limitation amounts recovered pursuant to preference claims in bankruptcy proceedings of the Borrower.

7. MISCELLANEOUS. All rights and remedies of the Lender under this Guaranty are cumulative and are in addition to other rights and remedies the Lender may have. This Guaranty shall inure to the benefit of and may be enforced by the Lender and any subsequent holder of the Obligations, successors and assigns, and shall be binding upon and enforceable against Guarantor and the legal representatives, heirs, successors and assigns of Guarantor. This Guaranty shall be governed by the laws of the State of Minnesota. If there is a lawsuit, Guarantor agrees to submit to the jurisdiction of such state, which state has the sole proper jurisdiction of any litigation over matters related to the Guaranty. The parties agree to waive the right to any jury trial in any action brought by either against the other.

8. CONSIDERATION; SOLVENCY; BENEFITS. Guarantor agrees that (a) Guarantor will directly or indirectly benefit by and from the extension of credit and other financial accommodations extended to the Borrower; (b) Guarantor has received legal and adequate consideration for the execution of this Guaranty and has executed and delivered this Guaranty to the Lender in good faith in exchange for reasonably equivalent value; (c) Guarantor is not presently insolvent and will not be rendered insolvent by virtue of the execution and delivery of this Guaranty; (d) Guarantor has not executed or delivered this Guaranty with actual intent to hinder, delay or defraud Guarantor's creditors; and (e) Guarantor acknowledges and agrees that the Lender has agreed to extend credit and other financial accommodations to the Borrower in reliance upon this Guaranty.

9. ADDITIONAL TERMS. In addition to the obligations required to be performed under this Guaranty by Guarantor, Guarantor shall perform, at closing or from time to time thereafter, such other acts, and shall execute, acknowledge and/or deliver such other instruments, documents and other agreements, as may be reasonably required or requested by the Lender in order to consummate the transaction described in this Guaranty. A signature on this Guaranty by email, telecopier or any other electronic means shall be as binding and enforceable against the signatory as an original signature.

DATED: _____, 20__

"Guarantor":

_____

_____

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G: SAMPLE RELEASE

EXHIBIT G
SLUMBERLAND FRANCHISING, INC.

SAMPLE RELEASE LANGUAGE

Unless precluded by applicable state law, if you renew, sell, assign or transfer your Franchise Agreement or Area Development Agreement to a third party, you will sign a joint and mutual release containing language similar to the following:

Franchisee and its heirs, successors and assigns, release and forever discharge Franchisor, its current and former affiliates, successors, assigns, officers, directors, employees, and agents, of and from any claims, debts, liabilities, demands, obligations, costs expenses, actions and causes of action of every natures whether known or unknown, vested or contingent, which Franchisee may now or in the future own or hold arising prior to and including the Effective Date, including without limitation any claims related to the Franchise Agreement or any other agreement between Franchisor and Franchisee.

The above language may be modified or supplemented to address issues specific to the transfer of your Franchise Agreement or Area Development Agreement to a third party, or to comply with applicable law (see Item 17 of the Franchise Disclosure Document).

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H: FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

As you know, Slumberland Franchising, Inc. ("Company," "we" or "us") and you are preparing to enter into a Franchise Agreement for the operation of a franchised Slumberland® Business (the "Franchise"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

	QUESTION	YES	NO
1.	Have you received and personally reviewed our Franchise Disclosure Document (the "Disclosure Document") provided to you?		
2.	Did you sign a receipt for the Disclosure Document indicating the date you received it?		
3.	Do you understand all of the information contained in the Disclosure Document?		
4.	Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5.	Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: _____		
6.	Do you understand the terms of and your obligations under the Franchise Agreement?		
7.	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8.	Do you understand the risks associated with operating the Franchise?		
9.	Do you understand that any training, support, guidance or tools we provide to you as a Slumberland® franchisee are for the purpose of protecting the Slumberland® brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over you decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages, compensation, benefits, training, supervisions and termination of your employees and all other employment and employee related matters?		
9.	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10.	Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		

	QUESTION	YES	NO
11.	Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the Disclosure Document?		
12.	Has any employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
13.	Has any employee or other person speaking on our behalf made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
14.	Has any employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
15.	Do you acknowledge and agree that the Franchise may be impacted by many risks, including those outside our or your control, such as economic, political or social disruption ("Events")?		
16.	Do you acknowledge and agree that the Events and any preventative or protective actions that federal, state, and local governments may take in response to the Events may result in a period of business disruption, reduced customer demand, and reduced operations for the Franchise, and that the extent to which the Events impacts the Franchise will depend on future developments which are highly uncertain and which neither we nor you can predict?		

If you answered "Yes" to any of questions ten (10) through fourteen (14), or if you answered "No" to question fifteen (15) or sixteen (16), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

_____

_____

_____

_____

_____

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

_____	_____
FRANCHISE APPLICANT	FRANCHISE APPLICANT
Dated: _____, 20____	Dated: _____, 20____

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I: STATE AGENCY EXHIBIT

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building 1st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J: OPERATIONS MODULES TABLE OF CONTENTS

Slumberland University – On-Line

Community Name	Number of Articles within Community
40 Winks	5
Axonify Resources	6
Accounting	2
Backroom Operations	9
Brand Standards	9
Business Improvement Conference	3
Company Resources	7
Customer Financing	7
ERS Migration	3
Franchise	3
Franchise Owner's Information	13
Franchise	3
Furniture Protection Plan	2
Information Technology	34
LOFT	9
Marketing and Sales Events	8
Merch: Accents and Style Categories	7
Merch: Casegoods	13
Merch: Expanded Catalog	7
Merch: Patio	3
Merch: Sleep Solutions	26
Merch: Upholstery	31
Merchandising	6
New Hire	6
Old Furniture Protection Plans	14
Podium	5
S.T.A.T.S	2
Sales Events	70
Sales: Sales Process	10
Sales: Subject Matter Experts	2
Selling Strategies	4
Showfloor Standards	2
Slumbercast	105
Store Design	8
Tablets/LOFT VUE	4

Visual Merchandising	22
Warranties and Service	7

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K: STATE ADDENDA

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
_____	_____
By: _____	By: _____
Its:	Its:
Date: _____	Date: _____

ILLINOIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
_____	_____
By: _____	By: _____
Its:	Its:
Date: _____	Date: _____

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

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.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of $30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's

use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

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.

SLUMBERLAND FRANCHISING, INC.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L: STATE EFFECTIVE DATES AND RECEIPTS

State Effective Dates

The following states have franchise laws that 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
Illinois	Pending
Indiana	Pending
Michigan	Pending
Minnesota	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	Pending

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
SLUMBERLAND FRANCHISING, INC.

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 Slumberland Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, Slumberland Franchising, Inc. or an affiliate in connection with the proposed franchise sale.

New York requires that Slumberland Franchising, Inc. give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Slumberland Franchising, Inc. give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If Slumberland 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in the State Agency Exhibit.

Issuance date: April 29, 2026. Additional state effective dates are listed on the third page of this Disclosure Document.

The franchise sellers for this offering are: Adam Petersen, Vice President, Franchise Development, Josh Priniski, Vice President, Franchise, Michael P. Larson, President, , Kenneth S. Larson, Chief Executive Officer, Conrad Mosset, Director, Franchise Consulting, and David Barton, Director, Consulting, Slumberland Franchising, Inc., 3505 High Point Dr. No., Building #2, Oakdale, Minnesota 55128, telephone: (651) 787-7235.

Slumberland Franchising, Inc. authorizes the respective state agencies identified in the State Agency Exhibit to receive service of process for it in the particular state.

I received the Franchise Disclosure Document of Slumberland Franchising, Inc., dated April 29, 2026, that included the following exhibits:

Exhibit A	Financial Statements
Exhibit B	List of Current Franchisees
Exhibit C	Slumberland® Franchise Agreement
Exhibit D	Addendum to Franchise Agreement for Outlet Center
Exhibit E	Slumberland® Area Development Agreement
Exhibit F	Financing Documents
Exhibit G	Sample Release
Exhibit H	Franchisee Questionnaire
Exhibit I	List of State Agencies
Exhibit J	Operations Modules Table of Contents
Exhibit K	State Addenda
Exhibit L	State Effective Dates and Receipts

Signed:	_____	Signed:	_____
Print Name:	_____	Print Name:	_____
Address:	_____	Address:	_____
City/State/Zip:	_____	City/State/Zip:	_____
Telephone:	_____	Telephone:	_____
Dated:	_____	Dated:	_____

Copy To:
Slumberland Franchising, Inc.
3505 High Point Dr. N
Building #2
Oakdale, MN 55128

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Signed:	_____	Signed:	_____
Print Name:	_____	Print Name:	_____
Address:	_____	Address:	_____
City/State/Zip:	_____	City/State/Zip:	_____
Telephone:	_____	Telephone:	_____
Dated:	_____	Dated:	_____

Copy To:
Franchisee