

**TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT**



Tempur Franchising US, LLC  
1000 Tempur Way  
Lexington, KY 40511  
(888) 420-3678  
[www.tempurpedic.com](http://www.tempurpedic.com)  
[www.tempurpedicfranchise.com](http://www.tempurpedicfranchise.com)

The franchise described in this franchise disclosure document is for a business that provides a unique proprietary format and process relating to the sale of high-end, premium quality mattresses and related sleep and relaxation products to consumers. The total investment necessary to begin operation of a Tempur-Pedic® retail franchise is \$953,000 to \$1,653,000. This includes \$125,000 - \$255,000 that must be paid to the franchisor or its affiliate.

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

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

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 Kyle King at 1000 Tempur Way, Lexington, KY 40511 (859) 455-1702. The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

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

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

Issuance Date: March 21, 2023

Tempur Franchising US, LLC FDD (2023)

## How to use this Franchise Disclosure document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or <u>Exhibit G-1</u> .
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit H includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Tempur-Pedic business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Tempur-Pedic franchisee?</b>	Item 20 or Exhibits G-1 and G-2 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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. **Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the Franchisor by mediation, arbitration and/or litigation only in Kentucky. 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 Kentucky than in your own state.
2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

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.

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE 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:**

- (a) A prohibition against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits us to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means, for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:
  - (i) The term of the franchise is less than five years; and
  - (ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.

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

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

(ii) The fact that the proposed transferee is a competitor of ours.

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

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

(h) A provision that requires you to resell to us items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants us 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 it prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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 concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor, Lansing, Michigan 48913; 517-373-7117.

## TABLE OF CONTENTS

	<b>Page</b>
ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....	1-1
ITEM 2: BUSINESS EXPERIENCE .....	2-1
ITEM 3: LITIGATION.....	3-1
ITEM 4: BANKRUPTCY .....	4-1
ITEM 5: INITIAL FEES.....	5-1
ITEM 6: OTHER FEES .....	6-1
ITEM 7: ESTIMATED INITIAL INVESTMENT.....	7-1
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	8-1
ITEM 9: FRANCHISEE’S OBLIGATIONS.....	9-1
ITEM 10: FINANCING.....	10-1
ITEM 11: FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING .....	11-1
ITEM 12: TERRITORY .....	12-1
ITEM 13: TRADEMARKS .....	13-1
ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION .....	14-1
ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	15-1
ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	16-1
ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	17-1
ITEM 18: PUBLIC FIGURES.....	18-1
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS.....	19-1
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION.....	20-1
ITEM 21: FINANCIAL STATEMENTS .....	21-1
ITEM 22: CONTRACTS.....	22-1
ITEM 23: RECEIPTS .....	23-1

## EXHIBITS

EXHIBIT A	STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT B	STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
EXHIBIT C	FRANCHISE AGREEMENT AND STATE SPECIFIC AMENDMENTS
EXHIBIT D	OPERATING MANUAL TABLE OF CONTENTS
EXHIBIT E	SAMPLE PRODUCT SUPPLY AGREEMENT
EXHIBIT F	FRANCHISE PROJECT MANAGEMENT AGREEMENT
EXHIBIT G-1	LIST OF FRANCHISEES
EXHIBIT G-2	LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN THE LAST FISCAL YEAR
EXHIBIT H	FINANCIAL STATEMENTS
EXHIBIT I	STATE EFFECTIVE DATES



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

The Franchisor is Tempur Franchising US, LLC, referred to in this disclosure document as “TFUS”, “we,” “us” or “our.” We refer to the person interested in buying a franchise as “you” or “your.” As used in the Franchise Agreement and in this disclosure document the term “Owner” means any person or entity holding a direct or indirect interest in you, the Franchise Agreement or the Franchised Business. If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Franchise Agreement will apply to your Owners. These will be addressed in this disclosure document where appropriate.

**Franchisor, Parents, Predecessors, and Affiliates**

The Franchisor

Tempur Franchising US, LLC is a Delaware Limited Liability Company organized on December 5, 2017. We conduct business under the name Tempur-Pedic®. Our principal business address is 1000 Tempur Way, Lexington, KY 40511. We sell franchises for the development and operation of retail stores that operate under the Tempur-Pedic® trade name and business systems and sell Tempur-Pedic® brand mattresses in the United States of America (the “**Franchised Business**”) under a franchise agreement (the “**Franchise Agreement**”), the form of which is attached to this disclosure document as Exhibit C. We began offering franchises in 2018. We have never offered franchises in any other line of business.

We do not operate any businesses of the type being offered; however, our affiliates do operate such businesses.

Parent

Our Parent, Tempur World, LLC (“**Parent**”), is our sole shareholder and maintains its principal place of business at 1000 Tempur Way, Lexington, KY 40511. All intellectual property including, but not limited to the brand, logos, service marks, trademarks, slogans, symbols and designs (the “**Proprietary Marks**”), systems, databases, technology, hardware, software, printers, and documentation are owned by our Parent and are available to us under license. Our Parent was formed in Delaware and as of December 31, 2017 our Parent does not operate any Tempur-Pedic® retail stores. Our Parent has never offered franchises in any other line of business.

Our Parent is a direct wholly-owned subsidiary of Tempur Sealy International, Inc. (“**TSI**”), the top-level company for the Tempur Sealy businesses.

Predecessor

We do not and did not have any predecessor during the 10-year period immediately before the close of our most recent fiscal year.

## Affiliates

### Tempur Retail Stores, LLC

Since 2013, our affiliate, Tempur Retail Stores, LLC (“**Tempur Retail**”) has operated company-owned locations similar in retail format to the franchise offered. As of December 31, 2022 there were 99 Tempur Retail locations. Tempur Retail has a principal place of business of 1000 Tempur Way, Lexington, KY 40511. Tempur Retail has never offered franchises in this or any other line of business.

### Tempur-Pedic North America, LLC

Our affiliate, Tempur-Pedic North America, LLC (“**TPNA**”) provides all mattresses and some related sleep and relaxation products which you will be required to sell at your Franchised Business. You must purchase all mattresses and certain other products that you sell at the Franchised Business pursuant to a Product Supply Agreement with TPNA, the current form of which is attached as Exhibit E to this franchise disclosure document (“**Product Supply Agreement**”). TPNA is a Delaware limited liability company with a principal place of business of 1000 Tempur Way, Lexington, KY 40511. TPNA has never offered franchises in this or any other line of business.

## The Franchise Offered

The Tempur-Pedic® retail outlet business, which may be offered to you as a Franchised Business, has been developed and is a distinctive system (“**System**”), owned by us.

Your Franchised Business will operate at a site selected by you and approved by us within a non-exclusive “Designated Area” described in the Franchise Agreement using a proprietary system for the operation of a retail business which sells high-end, premium quality Tempur-Pedic® mattresses directly to consumers along with a range of additional luxury items such as pillows, sheets, adjustable bases, foundations, slippers and other sleep and relaxation accessories (“**Products**”) for consumers to add to their mattress purchase. The Designated Area will be determined before you sign the Franchise Agreement.

Our franchisees focus on providing the customer with a dynamic, low-pressure shopping experience offering knowledgeable assistance from highly trained sleep experts. Customers are guided through a unique, streamlined purchase process designed to deliver an exclusive and hassle-free retail experience.

You will not be permitted to offer rights to operate the Franchised Business to sub-franchisees.

## Competition

There are traditional mattress retailers such as Mattress Firm, Sleep Number, Ashley Home Store, Sears, JC Penney’s, Macy’s, Costco, as well as online retailers such as Casper, Saatva, and

Tuft & Needle that offer similar products to the ones you will carry. These and other third-party retailers may carry some of our brands and/or competing brands. Your competitors will vary depending on the area in which your Franchised Business is located. Our (or our affiliates') mattresses are sold within various distribution channels, including our (or our affiliates') right to sell products through electronic media, including the Internet. As such, you may face competition from third parties, including us and our affiliates, which will offer similar or identical products to those which you are offering. Sales can fluctuate depending on the season but generally not in a material way.

### **Agent for Service of Process**

Our agents for service of process in the states which require franchise registration are disclosed in Exhibit B.

### **Applicable Regulations**

You must comply with federal, state, and local regulations concerning the Franchised Business, including, among others, local zoning, building and fire codes, as well as laws that apply generally to this and other business. Your state or locality may require you to obtain permits and/or licenses in order to sell the Products. Some states and counties will require you to obtain special licenses, permits and bonding, such as local building permits. You will be responsible for ensuring compliance with all such building requirements, including applicable safety programs and Occupational Safety and Health Administration (“**OSHA**”) regulations. You should make further inquiries to find out about these laws and general regulations.

The Federal Trade Commission (“**FTC**”) has rules and regulations relating to advertisements which make health benefit claims. The FTC requires that all claims of health benefits be supported with solid proof. You must comply with all FTC rules and regulations with all advertising. You should review and be familiar with these rules and regulations.

**ITEM 2**  
**BUSINESS EXPERIENCE**

**President - Hugh Clifford Buster**

Hugh Clifford Buster is the President of Tempur Franchising US, LLC and has served in this capacity since January 2021. Mr. Buster previously served as President of US Direct to Consumer at Tempur Sealy International from September 2017 to January 2021. Prior to this, Mr. Buster served as the Executive Vice President and Chief Financial Officer of Berkshire Hathaway Automotive Inc. from February 2017 to August 2017.

**Director, Tempur Retail Operations – Kyle King**

Kyle King, based in Lexington, Kentucky, is the Director, Tempur Retail Operations at Tempur Franchising US, LLC and has served in this capacity since November 2022. Previously, Mr. King served as Franchise Analyst for Tempur Franchising US, LLC from January 2018 to November 2022, and as Finance Manager at Tempur Sealy International from July 2017 to March 2020.

**Controller - Amanda Jo Hall**

Amanda Hall is the Controller at Tempur Franchising US, LLC and has served in this capacity since July 2018. Ms. Hall also serves as the Controller at Tempur Sealy International and has done so since October 2019. Prior to this, Ms. Hall served as Assistant Controller from July 2018 to October 2019 and Manager, Global Financial Reporting at Tempur Sealy International from March 2016 to July 2018.

**Vice President, Logistics and Transportation - Dennis Elbert**

Dennis Elbert is the Vice President of Logistics and Transportation at Tempur Franchising US, LLC and has served in this capacity since May 2022. Mr. Elbert also serves as the Vice President of Logistics and Transportation at Tempur Sealy International and has done so since April 2018.

**Associate General Counsel - Martha Ann Nash-Caywood**

Martha Ann Nash-Caywood is the Associate General Counsel at Tempur Franchising US, LLC and has served in this capacity since June 2019. Ms. Caywood also serves as Associate General Counsel at Tempur Sealy International and has done so since June 2019. Previously she served as Director, Corporate counsel from November 2015 to June 2019.

**Director, IT Retail Support - Sheri Beckett**

Sheri Beckett has been Director of IT Retail Support at Tempur Franchising US, LLC since July 1, 2021. Sheri has also served as Director, IT Support at Tempur Sealy International from March 2016.

**Director of Training, Marketing & Merchandising - Jose Miguel Marrero**

Jose Miguel Marrero, based in Dallas, Texas, is the Director of Training, Marketing and Merchandising at Tempur Franchising US, LLC and has served in this capacity since July 2019. Mr. Marrero also serves as Director of Training at Tempur Sealy International and has done so since July 2019. Prior to this, Mr. Marrero served as the Director of International Sales at Protect-A-Bed from October 2005 to December 2018. From January 2019 to June 2019, Mr. Marrero was between positions.

Unless otherwise specified, the location of each employee is Lexington, Kentucky.

**ITEM 3  
LITIGATION**

No litigation information is required to be disclosed in this item.

**ITEM 4  
BANKRUPTCY**

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

## **ITEM 5 INITIAL FEES**

### **Initial Fee**

The initial franchise fee for the right to operate a single Franchised Business is \$75,000 (“**Initial Franchise Fee**”). If you are an honorably discharged veteran of the United States military that purchases a Franchised Business, we will discount your Initial Franchise Fee for your first Franchised Business by 10% of the Initial Franchise Fee for a total initial franchise fee of \$67,500.

This fee is non-refundable, fully payable upon execution of the Franchise Agreement and deemed fully earned by us upon receipt.

### **Initial Inventory**

You must purchase an initial inventory as described in the Operations Manual(s) from us and our affiliates that meet our specifications. The size of your initial inventory will depend on factors such as the size of your store and expected customer base and you will typically be required to spend between \$50,000 and \$100,000 on initial inventory. This fee is non-refundable and payable as arranged.

### **Computer Hardware Software, and POS System**

You must purchase computer hardware, software, and POS System from us, an Approved Vender or Third-Party Vendor. You may be required to pay us \$0 (if you purchase all of these items from an Approved Supplier or a Third-Party Vendor) up to \$80,000 (if you purchase all of these items from us). This includes the cost of the computer hardware, peripherals, software license fee and other software that will serve as your point-of-sale computer system, and the maintenance agreement for that system. If this is paid to us, this amount is non-refundable and payable when required.



**ITEM 6  
OTHER FEES**

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty	6% of Gross Sales <sup>2</sup> with a minimum yearly amount of \$50,000	Payable within 10 days of the end of each month.	<p>Royalties Fees are payable by automatic debit, and funds must be made available in your account for withdrawal.</p> <p>If at the end of the calendar year it is determined that you have not met the minimum royalty threshold of \$50,000 you will be required to make a lump sum payment for the difference. The minimum threshold will be prorated in the first year of operation based on when your location opens.</p>
Marketing Fee	2% of Gross Sales, if established	Payable on the 10th day of the month for the preceding month.	We reserve the right to establish a Marketing Fund. If established, you must contribute the Marketing Fee to the Marketing Fund, which we will use this to cover, among other things, collection of customer data, customer feedback and mystery shopping. <sup>3</sup>
Local Advertising and Marketing	2% of Gross Sales, if required	Must be spent monthly - paid directly to advertising and marketing vendors.	We reserve the right to require you to perform local marketing and advertising. If we require it, the amount you spend on marketing must be reported to us on a monthly basis. This is in addition to your Marketing Fund contributions. Any marketing or advertising you propose to use must be approved by us. All marketing and advertising materials submitted to us for

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
			our review will become our property.
Online Marketing	\$550 per month	Monthly	Covers various user and digital marketing fees for vendors (e.g., IRIO, Yelp, Yest, Matterport, Engagement Agents).
Warehouse and Delivery	\$100 per piece	As billed.	Payable for each delivery which is performed on behalf of your Franchised Business.
Returns	\$100 per piece	As billed.	Payable when a customer returns a product.
Software License Fee	\$8,700 per year (approximately)	As billed.	Covers D365 AX software license fee for 4 users. Additional users are \$175.00 per month each. Fees are payable to us by automatic debit, and funds must be made available in your account for withdrawal.
Device License Fee	\$920 per year (approximately)	As billed.	Covers D365 AX POS Terminal license fees for 2 POS terminals. Fees are payable to us by automatic debit, and funds must be made available in your account for withdrawal.
Music License	\$420 per year (approximately)	As billed.	Covers in-store music licensing from third-party vendor.
Data Center License & Support	\$2,100 per year	As billed.	Fees are payable to us by automatic debit, and funds must be made available in your account for withdrawal.
In Store Break Fix hardware maintenance	\$2,514 per year (approximately)	As billed.	Fees are payable to us by automatic debit, and funds must be made available in your account for withdrawal.
IT Software Support	\$8,700 per year	As billed.	Fees are payable to us by automatic debit, and funds must be made available in your account for withdrawal.
Insurance	Cost of procuring insurance for you in the event you fail to	Per year, if incurred.	If you do not provide proof of insurance or renew the insurance for your

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
	procure or renew your insurance.		Franchised Business, we may procure it on your behalf and charge you the cost of procuring this insurance, including an administrative fee of \$2,500 payable to us.
Transfer Fee	50% of the then current initial franchise fee	Prior to consummation of the transfer.	Payable if you sell your franchise.
Audit Fee	Cost of the audit if we discover you have underreported by more than 5%	Upon demand.	If the audit or any other inspection should reveal that <u>any</u> payments to us have been underpaid, then you shall immediately pay to us the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum or the maximum rate permitted by law, whichever is less.
Interest on Late Payments	Interest at the lesser of the rate we prescribe, or the maximum rate allowed by law, plus a late fee of not less than 5% of the total amount overdue.	Upon demand.	Payable on all overdue amounts.
Additional Onsite Training or Seminars	Our then-current per diem fee (currently \$1,500 per instructor or consultant), plus our reasonable expenses.	If we provide additional training, whether at your request or our requirement.	Payable in advance of onsite training.
Renewal Fee	25% of the then current initial franchise fee.	Upon renewal of the franchise.	Renewal of your Franchise Agreement will have additional requirements which you must meet.
Prohibited Product or Service Fee	\$250 per day of use of unauthorized products or services	If incurred.	In addition to other remedies available to us, including franchise termination.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Costs and Attorneys' Fees	Will vary under circumstances	Upon request.	If you default under a franchise agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing and/or terminating the agreement.
Securities Offering	\$5,000	Upon request.	If you propose to make an offering of any securities, you must reimburse us for our reasonable costs (including attorneys' fees and accounting fees) in evaluating your proposed offering.
Indemnification	Will vary under circumstances.	Upon request.	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or in connection with any offer of your securities, or for costs associated with defending claims that you used the trademarks in an unauthorized manner.
Refurbishment of Franchised Business	Not to exceed \$75,000.	Not more than once every five years.	We may require you to refurbish your Franchised Business to meet our then-current image for all stores in the System.
Supplier or Product Testing	Actual costs.	At time of inspection.	Applies to new suppliers or supplies you wish to purchase that we have not approved. This fee is paid to third party vendors or to reimburse us if we have paid to third party vendors.
Promotional Expenses	Up to 2% of Gross Sales, if required	As incurred.	You may be required to participate in system-wide promotional programs that we may develop that may include providing

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
			promotional items to guests as part of the program(s).
Relocation Fee	\$5,000	When permission to relocate your Franchised Business is requested.	This covers our costs related to your relocation request.

1. Except as described below, all fees are uniformly imposed by us. Except as specified, all fees are payable to us and are non-refundable. We may require that you participate in an electronic funds transfer program by which payments due us are paid or directed electronically from your bank.

2. “**Gross Sales**” means all revenue of the Franchised Business, including all sales of Products and services to customers of the Franchised Business and any delivery fees charged by you to such customers, whether for cash or credit and regardless of collection in the case of credit. Gross Sales excludes excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on revenues, if those taxes are separately stated when the customer is charged, and also excludes bona fide refunds actually paid to customers. “Gross Sales” includes all proceeds from the sale of coupons, gift cards, gift certificates, or vouchers; provided, that when the coupons, gift cards, gift certificates, or vouchers are redeemed, you may credit their retail price against Gross Sales to determine the amount of Gross Sales upon which fees calculated in respect of Gross Sales are due.

3. Online Marketing fees covers the user license fee for the IRIO software, user fee to list store on YELP platform, user fee to list and maintain store information on numerous digital platforms for Yext, the fee to list and maintain a Google 360 video view of the store for Matterport, and the fee to list and maintain digital and physical marketing efforts on shopping centers’ websites for Engagement Agents. Fees are payable to us by automatic debit, and funds must be made available in your account for withdrawal.

4. Franchisor will have the right under the terms of the Franchise Agreement to set off against any money owed by Franchisor or Franchisor’s Affiliate(s) to the Franchisee or Franchisee’s Affiliate(s) pursuant to the Franchise Agreement or otherwise. The right of set off will continue until Franchisee has paid, satisfied or discharged all monies, debts or liabilities due or owing to Franchisor and Franchisor’s Affiliates. Franchisee must irrevocably authorize Franchisor or Franchisor’s Affiliate to deduct from any monies payable by Franchisor or Franchisor’s Affiliate to the Franchisee or Franchisee’s Affiliate pursuant to the Franchise Agreement or otherwise any monies due or owing to Franchisor or Franchisor’s Affiliates by the Franchisee or the Franchisee’s Affiliate from time to time. If in the Franchisee’s jurisdiction set-off is not possible due to the local laws, Franchisor or its Affiliate shall have the right to hold monies due to the Franchisee as a lien, free from interest, until such time as the Franchisee or its Affiliate has paid all monies owed by the Franchisee or its Affiliate to Franchisor and Franchisor’s Affiliates.

5. To secure payment of your obligations to us or our affiliate(s), we or our affiliate(s) may, in our sole discretion, require you to provide one or more irrevocable standby letters of credit. The precise amount of the letter of credit will be determined by us or our affiliate, in our sole discretion. If you are required to provide an irrevocable standby letter of credit, the letter of credit must be in

a form acceptable to us or our affiliate(s). We or our affiliate(s) will have the right to evaluate any changes in your business including, but not limited to, volume, past performance or credit history and based on the review require you to increase the amount of your letter(s) of credit or furnish an additional letter of credit.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Initial Franchise Fee <sup>1</sup>	\$75,000	Lump Sum	Upon execution of the Franchise Agreement	Us
Travel Expenses to Attend Training <sup>2</sup>	\$1,000 to \$5,000	As Arranged	As Arranged	Third Party Vendors
Rent for First 3 Months <sup>3</sup>	\$60,000 to \$75,000	As Required	As Required	Seller or Landlord
Architect Fees <sup>4</sup>	\$15,000 to \$30,000	As Required	As Required	Third Party Vendor
Leasehold Improvements <sup>5-</sup>	\$450,000 to \$650,000	As Required	As Required	Approved Vendor
General Contractor Service Fee <sup>6</sup>	\$20,000 to \$30,000	As Required	As Required	Approved Vendor
Sourcing and Materials <sup>7</sup>	\$50,000 to \$100,000	As Required	As Required	Third Party Vendor
Interior Design and Merchandising <sup>8</sup>	\$7,000 to \$24,000	As Required	As Required	Approved Vendor
Fixture Package <sup>9</sup>	\$40,000 to \$120,000	As Arranged	As Arranged	Third Party Vendor
Initial Inventory <sup>10</sup>	\$50,000 - \$100,000	As Arranged	Prior to Opening	Us or Affiliate
Marketing Supplies <sup>11</sup>	\$10,000 to \$30,000	As Required	As Required	Third Party Vendors
Computer Hardware, Software, and POS System <sup>12</sup>	\$50,000 to \$80,000	As Required	As Required	Us, Approved Vendor or Third Party Vendor
Initial IT Setup <sup>13</sup>	\$12,000 to \$14,000	As Arranged	As Arranged	Third Party Vendor
Insurance <sup>14</sup>	\$12,000 to \$50,000	As Required	As Required	Insurance Agents/Brokers
Licenses, Permits <sup>15</sup>	\$1,000 to \$15,000	As Required	As Required	Municipalities and other Government entities

Type of Expenditure	Amount	Method of Payment	When due	To whom payment is to be made
Legal & Accounting <sup>16</sup>	\$10,000 to \$30,000	As Required	As Required	Accountants, Lawyers, other Third Parties
Miscellaneous Opening Costs <sup>17</sup>	\$5,000 to \$25,000	As Arranged	As Needed	Third Party Vendors
Additional Funds – 3 Months <sup>18</sup>	\$85,000 to \$200,000	As Required	As Incurred	Employees, Suppliers, Utility Companies and Third Party Vendors
<b>TOTAL<sup>19</sup></b>	<b>\$953,000 to \$1,653,000</b>			

Notes: All payments to us are non-refundable unless otherwise stated.

1. The Initial Franchise Fee must be paid in a lump sum. The Initial Franchise Fee is not refundable under any circumstances.

2. Prior to opening the Franchised Business, you and your managers must, at your sole expense (including all travel and living expenses), attend and complete the initial training programs and courses that we require. These expenses will vary based on your location, quality of accommodations, wages, per diem allotment, seasonality of travel expenses, and number of staff members. The estimate in this table include expenses for 1 to 5 trainees.

3. Due to the cost of acquiring a retail site and the expenses related to new construction, we expect that you will lease the premises for the Franchised Business. This estimate assumes that you will be leasing a 2,500 square foot retail space. We expect most retail spaces will be approximately this size, but we may approve smaller spaces in our sole discretion. Your actual rent may differ based on market factors in your area. The estimated range expressed includes common area maintenance and other fees paid to the landlord such as property tax, property insurance, etc. Additionally, you may receive Tenant Improvement (TI) funds directly from the landlord. While the amount of this payment will vary based on several factors, and is negotiated directly with the landlord, our experience indicates you may encounter a range of \$0 to \$90 per square foot, with an average of \$40 per square foot. As an example, if your store is 2,500 square feet, the TI could range from \$0 to \$225,000 in total and would likely average closer to \$100,000. We do not lease or sell space to you.

4. This estimate includes the cost for the services of the architect and includes change orders and the initial design.

5. This amount is based on our prior experience and is the cost of converting a raw space which needs to be fully converted for use as the Franchised Business and the installation of a security system. We require that you use the vendor we prescribe for the build out of your Franchised Business. This vendor is chosen to ensure consistency across the system.



6. This amount is for the general contractor services provided by the company doing the build out and construction. You must use the general contractor that we prescribe from time to time to manage the build out and construction of your Franchised Business. This vendor is chosen to ensure consistency across the System.
7. This includes the initial cost of signage, flooring, lighting, security system equipment, music equipment, traffic counter and acrylic packages for use in the Franchised Business.
8. This estimate is for the cost of our vendor to come in and set up the store based on our specifications. You must use the vendor we prescribe for the interior design and merchandizing of your store. This vendor is chosen to ensure consistency across the System.
9. This includes the cost of the pillow wall, pillow bar, cash wrap, sheets display, and tables.
10. You must purchase an initial inventory as described in the Operations Manual(s) that meet our specifications. The size of your initial inventory will depend on factors such as the size of your store and expected customer base.
11. These materials include in-store signage, window graphics, floor mats, etc.
12. This includes the cost of the computer hardware, peripherals, software license fee and other software that will serve as your point-of-sale computer system, and the maintenance agreement for that system.
13. This cost covers the network and in store support required to establish the POS system and software.
14. You must carry insurance. The amount set forth above represents an estimate of the premiums required for general liability, workers compensation, property damage, auto liability, employment practices liability, and umbrella/excess liability.
15. The range given provides our best estimate of the costs you will incur for business permits and licenses.
16. We recommend that you consult an attorney of your own choosing to review this disclosure document and the Franchise Agreement, as well as an independent accountant before signing the Franchise Agreement. The costs of these professional fees will vary depending on your location and the professionals that you select.
17. Miscellaneous fees include additional supplies and travel expenses for vendors, as well as, expenses related to your store's grand opening.
18. This is an estimate of the amount of additional, initial operating capital that you may need during the first three months while opening your Franchised Business and does not reflect or account for any offsetting revenue generated during this period. For purposes of this disclosure document, we have provided additional fund estimates for rent, CAM, taxes, insurance, utilities, salaries and benefits to your employees, IT Support, and other miscellaneous expenses. We have not included any amounts for debt service or salaries or compensation to the Franchisee. This is only an estimate, however, and there is no assurance that additional working capital will not be

necessary during this start-up phase or after. It is best to contact your accountant or financial advisor for further guidance.

19. We relied on the experience we have operating corporate owned locations to compile these estimates. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. You should review these figures with a business advisor before making any decision to purchase the franchise.

There are no other direct or indirect payments in connection with the purchase of the franchise. We do not provide financing for the payment of any part of any fees or expenses.

**ITEM 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

**Obligation to Purchase or Lease Products or Services from Tempur Franchising US, LLC or an Affiliate**

You must purchase or lease from us or our affiliates or in accordance with our standards substantially all of the Products sold at the Franchised Business. Currently, as further explained below, we or our affiliates are the only Approved Suppliers of the following items: mattresses, pillows, sheets, foundations, adjustable bases, metal frames, travel sets, delivery services. You must purchase or lease from us or approved vendors in accordance with our standards computer equipment and software, leasehold improvements/proprietary displays/in-store merchandising/furniture/ fixtures. You will be required to purchase all mattresses and certain other products that you sell at your Franchised Business from TPNA pursuant to the Product Supply Agreement.

**Obligation to Purchase or Lease Products under Tempur-Pedic Restrictions**

There are certain Products that are selected by us for consistency in quality and other considerations. These items, such as certain brand name products, are manufactured or produced only by manufacturers or producers approved by us in writing. To ensure that you adhere to the uniformity requirements and quality standards associated with all Franchised Businesses, you must purchase these items for your Franchised Business. We will provide a written list of these selected Products and vendors which will include, but is not limited to, certain bedding, slippers and other sleep and relaxation products. We will also notify you of any additions to or deletions from this list.

You must purchase certain Products which satisfy the written standards and specifications established by us. This requirement is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all Franchised Businesses. We will provide you with written standards and specifications for the layout of the premises of your Franchised Business, your equipment and signs, the décor and trade dress of your franchise, and certain other items, as well as the company who will install these items in accordance with the System. We will issue specifications for the insurance you must carry. We determine our uniformity and quality standards and specifications, in our sole discretion. We may modify our written standards and specifications, and you must comply with any modifications. You will be responsible for ensuring that all the Products selected by you will continue to conform to the standards and specifications established by us.

You must purchase certain Products required for your Franchised Business only from suppliers designated by us (“**Approved Suppliers**”). For some items, equipment and supplies, there may be only one Approved Supplier from whom you will be required to purchase. These items may include slippers, sheets, headboards, and other sleep and relaxation Products designated by us from time to time. We will provide a written list of designated suppliers and the Products subject to designated supplier requirements, and will notify you of any additions to or deletions from this list.

If you want to purchase Products subject to our Approved Supplier requirements from a supplier who has not been previously approved by us, then you must, at your expense, send to us representative samples or specifications of that supplier's products or services, and certain other information about the supplier's products and business that we may request. We will also have the right to inspect the supplier's facilities and otherwise evaluate the proposed supplier and its products or services, and you must reimburse us for the expenses we incur to inspect and evaluate the supplier. Within 60 days after receiving the necessary samples and information, we will notify you in writing as to whether the supplier's products or services comply with the uniformity requirements, quality standards and specifications established by us, and whether the supplier's business reputation, delivery performance, credit rating and other relevant information are satisfactory. If we do not respond in this time period, the supplier shall be deemed disapproved. We do not make our criteria for approving suppliers available to franchisees. We reserve the right to approve or disapprove any requested supplier for any reason or no reason in our sole discretion.

You must contract with third party vendors that we prescribe for locating your franchise location, build-out of the new franchise, interior design and merchandising, and other initial store setups ("**Approved Vendor**"). For some of these services, there may be only one Approved Vendor. We will provide a written list of Approved Vendors and the services subject to the Approved Vendor requirements and will notify you of any additions or deletions from this list. You may not contract with any other vendors for these services.

We estimate that purchases of Products that meet our standards and specifications and purchases from designated or approved suppliers will constitute up to 90% of your initial expenditures to open your Franchised Business, and approximately 70% of the annual ongoing expenditures to operate your Franchised Business.

None of our officers owns an interest in any privately held suppliers, or a material interest in any publicly-held suppliers, of the Tempur-Pedic franchise system. From time to time, our officers may own non-material interests in publicly held companies that may be suppliers to our franchise system.

### **Revenue from Franchisee Purchases**

Neither we nor our affiliates had any revenues from the sale of products or services to franchisees in the last fiscal year, nor did we or our affiliates receive payments from any designated sources because of transactions with franchisees.

We may negotiate purchasing arrangements with suppliers of Products for the benefits of the franchise system. We have not established purchasing or distribution cooperatives. We do not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

We may receive income in the form of rebates, discounts, allowances or other payments or credits from designated or Approved Suppliers that sell Products or services to franchisees. In some cases, prices charged by Approved Suppliers to company or affiliate owned stores may be

less than prices charged to franchisees based on volume, credits, administrative costs or other factors. If we receive any rebates or other payments from a supplier as a result of your purchases from the supplier, we will have the right, in our sole discretion, to determine how these payments will be used.

We do not have any purchasing or distribution cooperatives at this time.

### **Letter of Credit**

You may be required to obtain a letter of credit from an FDIC member insured bank to be used by you to purchase Products from an Approved Supplier (including from us or our Affiliate). The letter of credit will be secured by an interest in the Products purchased from the Approved Supplier, and you will maintain complete and total responsibility for the letter of credit and any security interest in the purchased Products with the bank in question. An example of a letter of credit is attached as an exhibit to the Franchise Agreement, which is attached hereto as Exhibit C.

### **Insurance**

You must obtain and maintain at your own expense the insurance coverage that we and your landlord (if applicable) periodically require, and you must meet the other insurance-related obligations in the Franchise Agreement. Currently, we require you to maintain the following coverages:

- (1) comprehensive general liability insurance (occurrence type, which must include personal injury and advertising liability insurance) with limits of not less than \$1,000,000 per occurrence or \$2,000,000 in the aggregate. This insurance must be primary and non-contributory.
- (2) all risk property and casualty insurance, including fire coverage;
- (3) business interruption insurance in sufficient amounts but not less than \$100,000;
- (4) products liability insurance (minimum coverage of \$1,000,000);
- (5) worker's compensation insurance and all other insurance required by law;
- (6) commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (comprehensive general liability, business interruption, products liability and employers' liability) to not less than \$3,000,000 total limit liability. This umbrella liability will provide at a minimum those coverages and endorsements required in the underlying policies; and
- (7) employment practices liability insurance (minimum coverage of \$1,000,000).

We may require you to obtain insurance coverage for other risks or increase the required amount of coverage and require different or additional insurance during the Franchise Agreement

term. Premiums will depend upon the insurance carrier's charges, terms of payment and your loss history. Each insurance policy must: (1) name us and our affiliates as an additional named insureds and contain a waiver of all subrogation rights against us; (2) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of the policy; (3) provide that coverage applies separately to each insured against whom a claim is brought; (4) contain no provision which limits coverage in the event of a claim by a party who is indemnified under the Franchise Agreement; (5) be primary; and (6) extend to and provide indemnity for all obligations assumed by you under the Franchise Agreement. You must obtain our approval of your insurance carriers and provide evidence of coverage as and when we may require.

### **Pricing and Advertising Policies**

A fundamental cornerstone of our success is our policy not to do business with any retailer or franchisee who chooses to advertise or to sell Tempur-Pedic products at retail prices that are different from our suggested retail prices. This policy ensures a consistent message and fair price to consumers and a reasonable mark-up for our retailers and franchisees.

We reserve the right, in our sole discretion, to establish minimum prices at which you are permitted to advertise Tempur-Pedic products for sale in your Franchised Business. The Franchise Agreement requires that you agree to adhere to the Tempur-Pedic Advertising Policies (as modified by us from time to time in our sole discretion).

Unless prohibited by applicable state law, we also reserve the right, in our sole discretion, to establish maximum and minimum resale prices that you must charge for all Tempur-Pedic products offered for sale at your Franchised Business. We may change our pricing policies at any time in our sole discretion, and you must comply with our then-current pricing policies. We also reserve the right to allow deviations, in our sole discretion, from our established prices and promotions on a case-by-case basis. Any such deviations must be approved in writing by us.

**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Article/Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Franchise Agreement: 3.A, 3.B, Appendix E	Item 11
b. Pre-opening purchase/leases	Franchise Agreement: 3.D, 3.E, 3.F	Items 7 and 8
c. Site development and other pre-opening requirements	Franchise Agreement: 3.C, 3.G	Items 7 and 11
d. Initial and ongoing training, and annual conference	Franchise Agreement: 4.A, 4.D, 4.F	Item 11
e. Opening	Franchise Agreement: 3.G	Item 11
f. Fees	Franchise Agreement: Article 9	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Franchise Agreement: Article 10	Items 8, 11 and 14
h. Trademarks and proprietary information	Franchise Agreement: Articles 5 and 6	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement: 10.B	Items 8 and 16
j. Warranty and customer service requirements	Franchise Agreement: 10.J	Item 11
k. Territorial development and sales quotas	Franchise Agreement: 1.B, Appendix A	Item 12
l. Ongoing product/service purchases	Franchise Agreement: 10.B	Item 8
m. Maintenance, appearance, and remodeling requirements	Franchise Agreement: 10.J	Item 6, Item 17
n. Insurance	Franchise Agreement: 10.H	Items 7 and 8
o. Advertising and marketing	Franchise Agreement: Article 11	Items 6 and 11
p. Indemnification	Franchise Agreement: Article 8, 14.H	Item 6
q. Owner’s participation/management/staffing	Franchise Agreement: 4.E, 10.F, Appendix B	Item 15
r. Records and reports	Franchise Agreement: Article 12	Item 6
s. Inspections and audits	Franchise Agreement: Article 13	Items 6 and 11

<b>Obligation</b>	<b>Article/Section in Agreement</b>	<b>Disclosure Document Item</b>
t. Transfer	Franchise Agreement: Article 14	Items 6 and 17
u. Renewal	Franchise Agreement: 2.B	Item 17
v. Post-termination obligations	Franchise Agreement: Article 16	Item 17
w. Non-competition covenants	Franchise Agreement: Article 7, Appendix C	Item 17
x. Dispute resolution	Franchise Agreement: Article 17	Item 17
y. Guaranty of franchisee obligations	Franchise Agreement: Appendix D	Item 15



**ITEM 10  
FINANCING**

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

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

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

**Pre-Opening Assistance**

Before you begin operation of the Franchised Business, we will:

- (1) designate the Protected Area and assist in the selection of the Franchise Location (Section 1.B of the Franchise Agreement);
- (2) review the site you select for your franchise to determine if it complies with requirements for the Franchised Business (Section 3.A of the Franchise Agreement);
- (3) review and approve or disapprove plans and specifications and final construction plans complying with our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Franchised Business (Section 3.C of the Franchise Agreement);
- (4) conduct an initial training program. (Section 4 of the Franchise Agreement);
- (5) provide you with guidelines and specifications for the operation and management of the Franchised Business that you must adopt, including construction and build-out, installation, repair, maintenance and safety procedures, record keeping, sales and marketing, customer services, and human resources (Sections 4 and 10 of the Franchise Agreement);
- (6) provide you with access to the Operating Manual, which will include standards and specifications for procedures, management, and operation of the Franchised Business (Section 4.G of the Franchise Agreement);
- (7) provide you with a new store opening checklist and guidelines (Section 4.C of the Franchise Agreement);
- (8) provide you with guidelines, and assist you in the acquisition of items consisting of your Initial Inventory and Fixture Package (Section 10 of the Franchise Agreement); and
- (9) provide guidelines regarding your promotional plan for your Grand Opening campaign (Section 4.C of the Franchise Agreement).

**Site Selection**

You must identify and secure a site for your Franchised Business in the Designated Area. We recommend that you engage a licensed real estate lawyer to review your lease agreement and

otherwise advise you on real estate matters. The site should be no smaller than 2,500 square feet in size and include sufficient space for, among other things, an administrative office, and access to parking facilities. You must use the company we designate in our Operating Manual for assistance finding a site for your Franchised Business. This company will assist you in finding a suitable site for the operation of your Franchised Business which meets our criteria. Once a site which is suitable is located, you must obtain our written approval of the site you select for location of your Franchised Business. The time frame for us to approve a proposed site may vary depending on site and market specifics. It usually takes a minimum of 60 to 90 days for us to approve the site.

Our site selection and/or acceptance is based on residential population, traffic counts and patterns, competing establishments, median income levels, availability of parking, rental and lease terms, physical configuration of the site and growth trends in the area. We are not obligated to approve any site selected, but we will not unreasonably withhold our approval of a site that meets the minimum criteria for your business premises. You must sign a Conditional Assignment of Lease in a form designated by us. We do not lease or sell space to you. If you do not find a suitable site within the time period set forth in the Franchise Agreement, we can terminate the Franchise Agreement and keep the Initial Franchise Fee.

Our approval of a site for your Franchised Business only indicates that the site meets our then-current minimum criteria for a Franchised Business.

Your site must be identified within 90 days of signing the franchise agreement and you must open the Franchised Business within six months from site selection. We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your Franchised Business is approximately six months to nine months. Factors which may affect this time period include: identifying a site, obtaining acceptable financing arrangements, permitting, remodeling, decorating, purchasing and installing equipment, fixtures and signs, hiring employees, and similar factors. It will be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the site. (Section 3.D of the Franchise Agreement). You must utilize the general contractor for constructing the site of the Franchised Business that we prescribe from time to time. The current general contractor vendor we use is Jones Lang LaSalle, and their current form of Franchise Project Management Agreement is attached as Exhibit F.

### **Post-Opening Assistance**

During the operation of the Franchised Business, we will:

- (1) continue to sell you, provide you with guidelines for, and assist you in the acquisition of items required to operate your Franchised Business (Section 10.B of the Franchise Agreement);
- (2) provide general advisory assistance, include site visits, as we believe necessary to help you in the ongoing operation, advertising and promotion of the Franchised Business (Section 4.F of the Franchise Agreement);

- (3) provide knowledge and expertise, as we deem appropriate, to help improve the performance of your Franchised Business (Section 4.F of the Franchise Agreement);
- (4) organize an annual or biennial franchise conference to discuss matters of mutual interest, which will act as an educational platform and provide a networking environment (Section 4.D of the Franchise Agreement);
- (5) provide you with the specifications for advertising and marketing materials you may use to promote your Franchised Business. You may not use advertising and marketing materials sourced from any supplier without first obtaining our approval. (Section 11 of the Franchise Agreement);
- (6) provide you with content for posting on Social Media pages, if we permit the use of Social Media. You may not make any social media posts without our consent, and we must have administrator rights for all social media accounts associated with the Franchised Business (Section 11.F of the Franchise Agreement);
- (7) provide you with updates, revisions and amendments to the Operating Manual as we, in our sole discretion, deem necessary (Section 4.G of the Franchise Agreement);
- (8) provide the names and addresses of newly approved and designated suppliers for the products required by us to be used or sold in your Franchised Business (Sections 4.F & 10.B of the Franchise Agreement)
- (9) maintain our Corporate Websites to advertise, market and promote Tempur-Pedic and our business worldwide, as well as franchise opportunities, which we may periodically update and modify (Section 11.F of the Franchise Agreement); and
- (10) provide you with plans and specifications for any equipment and software installations (Section 3.E of the Franchise Agreement); and
- (11) administer and maintain the Marketing Fund in our discretion (Section 11.E of the Franchise Agreement).

### **Marketing Fund**

If we establish a marketing fund (the “**Marketing Fund**”), we will administer and maintain the Marketing Fund for national and global marketing and advertising programs with monies collected from franchisees. We will select the types of media used and the location of the marketing and advertising campaigns administered through the Marketing Fund. We use or may use the following media: digital, print, radio, television, telephone, smart phone, social media and Internet. We may also use the funds for general public relations, to conduct data studies for purposes of determining marketing strategies, and to otherwise obtain and build brand awareness. The focus will be on national and international coverage and marketing development and will be handled in-house or outsourced to a professional marketing, advertising or public relations firm.

If we establish the Marketing Fund, you must contribute at least 2% of your Gross Sales to the Marketing Fund. All franchisees will contribute on the same pro rata basis. At your request, we will make available to you an annual unaudited report of the activities of the Marketing Fund. We will not receive any compensation for providing services to the Marketing Fund, other than the reimbursement of ordinary and necessary expenses, which may include in-house staff. As we have just commenced franchising efforts, we have no prior year's allocation of expenditures to disclose.

In administering the Marketing Fund, we do not undertake any obligation to make expenditures for you or any other franchisee (or in any specific area) which are equivalent or proportionate to your contributions or to ensure that any you or any other franchisee benefits directly or pro rata from the placement of advertising. Any funds remaining in the Marketing Fund at the end of the year will be saved for allocation in the following year or years. No percentage of the Marketing Fund will be used for the solicitation of franchisees; however, our advertising and marketing material may contain contact numbers for obtaining information about Franchised Businesses.

### **Advertising Cooperative**

In addition to the Marketing Fund, we may designate a geographic area in which two or more Franchised Businesses are located as a region in order to establish a regional advertising cooperative (a “**Cooperative**”). If we do so, the Cooperative must be organized, governed, and begin operation as we determine. Any Cooperatives we authorize will be intended for the purpose of administering advertising and marketing programs and developing advertising, marketing and promotional materials for the area that the Cooperative covers. If a Cooperative is established for the geographic area in which your Franchised Business is located, you must sign the documents we require to become a member of the Cooperative and to participate in the Cooperative. Any amounts you contribute to the Cooperative will not be counted toward your local advertising and marketing obligations. We may form, modify, dissolve, or merge any Cooperative at any time. Each Cooperative will be organized and governed in accordance with our Manuals or a written governing document which we may amend at any time upon written notice to the Cooperative's members.

### **Local Advertising and Marketing**

If we require, you must spend at least 2% of your Gross Sales per month on local advertising and marketing (“**Local Marketing Expenditure**”) which shall be calculated on a trailing 90 day basis. You must, each month or at our request, provide invoices or other supporting documentation to us to substantiate your Local Marketing expenditures. If you fail to meet the minimum requirement, you will pay the difference between what you should have spent and what you actually spent into the Marketing Fund. You will not establish a website or home page for your Franchised Business including social media accounts or pages without our prior consent.

If other Franchised Businesses are located in your area, you may be required to participate in any local advertising cooperative that we establish, if we establish a co-op fund.

We will provide you with the specifications for any advertising and marketing materials you use to promote your Franchised Business. You may not use advertising and marketing materials sourced from any other supplier without first obtaining our approval. All advertising placement is at your own cost and subject to our approval.

You may be required to participate in marketing campaigns (including a loyalty program if we establish one) and a gift card or gift certificate program and will sign the forms and take the other action that we require in order for you to participate in such programs. Your participation may include a requirement that you provide discounted merchandise as incentives and rewards. We will administer any loyalty program established and we will make all decisions regarding its use, including all decisions regarding promotions, rewards, and incentives, which you may be required to provide at your own cost. Our loyalty program may include affiliates or licensees that do business under different business names and which may compete against you. You must honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Franchised Businesses under all such programs and include the related proceeds in Gross Sales. You must utilize an approved vendor for gift card processing. Any coupon offer proposed by you must be approved by us prior to being extended.

If you desire to use materials from sources other than us, you must send samples of any advertising, promotional and marketing material which we have not prepared or previously approved for our review before you use them. If you do not receive written approval within 30 days after we receive the materials, they will be deemed disapproved. You may not use any advertising, marketing or promotional materials that we have disapproved. Neither you nor we are required to participate in, or spend additional funds on, specific advertising or sales promotion programs.

Currently, we do not have an advertising council.

### **Website**

We will maintain corporate websites to advertise, market and promote the Tempur-Pedic® business and our business worldwide, as well as, franchise opportunities (the “**Corporate Websites**”), which we periodically may update and modify. We will list your store location(s) and other information related to your Franchised Business on our Corporate Websites. You may not use any other Internet or mobile site, account or web pages in connection with the Franchised Business or otherwise containing or displaying the Proprietary Marks, including but not limited to, YouTube, Facebook, Twitter, Snapchat, LinkedIn or Instagram without our approval and written consent.

In addition, you cannot operate or build a website through other electronic media that provides content in the areas of business that we operate even if the site does not mention Tempur-Pedic®, the Proprietary Marks, or contain any of its information or branding, even if said site is not in connection with the Tempur-Pedic® business without our written consent.

You may not use any Internet site or web pages in connection with the Franchised Business or otherwise containing or displaying the Proprietary Marks.

We have the right to designate the URLs, domain names, website addresses, metatags, links, key words, e-mail addresses and any other means of electronic identification or origin (“e-names”) used in connection with the Tempur-Pedic® business. We have final control and approval over all content and information on the Corporate Websites as well as franchise subpages. We own all intellectual property and other rights on the Corporate Websites and all information they contain (including but not limited to, the domain name or URL for Your Website, the log of “hits” by visitors, and any personal or business data that visitors supply, but excluding your proprietary information).

You agree to comply with any additional policies and standards we issue periodically with respect to the Internet, specifically. Should we consent in writing to you advertising or usage of the Internet for your Franchised Business, you must supply us with the current usernames, passwords, credentials and other account information that you have used in connection with any accounts relating to any approved Internet usage of the Marks.

We have the right to designate, approve, control or limit all aspects of your Franchised Business that you conduct over the Internet (“**Electronic Communication**”), including without limitation, use of e-names, e-mail, home pages, bulletin boards, social media, chat rooms, linking, framing, on-line purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software or hardware. You must follow all of our policies and procedures for the use and regulation of Electronic Communication and for its use with your Franchised Business and our system.

All Electronic Communication activity will be conducted through the Corporate Website and the Corporate standardized landing pages.

You agree to comply with any additional policies and standards we issue periodically with respect to the Internet and Electronic Communication. Should we consent in writing to your advertising or usage of the Internet for your Franchised Business, you must supply us with the current usernames, passwords, credentials and other account information that you have used in connection with any accounts relating to any approved Internet usage of the Marks and we must have co-administrative rights to all web pages.

### **Social Media Policy**

You may not use Social Media unless you receive express written permission from us. In the event we permit the use of Social Media, you must comply with our Social Media Policy for all social media profiles or accounts related to the Franchised Business. Your compliance will include but not be limited to granting us full administrative rights and providing us password access to all social media profiles or accounts relating to the Franchised Business, obtaining our written consent before establishing or terminating any social media profiles or accounts relating to the Franchised Business, and conforming to our guidelines regarding content.

## **Computer Requirements**

You must keep your books and business records according to our prescribed formats and will exclude data from any other business you may own, or co-own. You will use a point of sale system & hardware purchased from us directly to capture, track and organize the customer orders and financial information including sales, taxes, inventory, and transactions (the “**TFUS POS System**”). All items available for sale will be loaded by us in the TFUS POS System. You will not have the ability to edit Products in the TFUS POS System. Only approved Products entered & managed by us can be sold via the TFUS POS System. All sales from the Franchised Business must be entered in the TFUS POS System.

The computers and software used in your franchise to directly operate your Franchised Business must be procured directly from us or our affiliates, configured, installed and supported by us or our affiliates. We require that you only operate specific designated and approved franchise applications and no other applications on the TFUS POS System terminals, WIFI or data network. We estimate the cost of any maintenance, updating, upgrading and/or support contracts for the TFUS POS System will be approximately \$24,000 per year, and includes, the following computer/IT related costs: (i) software license fees of approximately \$8,700 per year; (ii) software support cost of approximately \$8,700 per year; (iii) device license fees of approximately \$1,920 per year; (iv) data center license and support fees of \$2,100 per year; and (v) in-store break fix hardware of approximately \$2,514 per year.

You are responsible for contracting with the designated bank processor(s) for fulfillment of credit card/debit card transactions via PCI compliant pin pad/signature capture device procured through us or our affiliates for the sole purpose of completing transactions at your Franchised Business only.

We require that no customer personal information data and or credit card data be stored physically on the point of sale hardware or any other computer hardware used in the operation of the Franchised Business. Consumer/Customer data will be housed in the point of sale system not directly on the hard drive. Credit card data is not housed in the TFUS POS System.

You will arrange for broadband Internet & voice services to facilitate electronic communication between us and you, and you will maintain the specified data circuit size/quality for the TFUS POS System. You will facilitate any support related conversations between your service provider and our or our affiliates support personnel for the purpose of troubleshooting and break fix to restore data connectivity to the in store TFUS POS System.

The estimated initial cost for your computers and software ranges from \$50,000 to \$80,000. Additionally, you must pay for the initial IT setup, the estimated cost of which ranges from \$12,000 to \$14,000.

You agree to give us, and acknowledge that we shall have, the free and unfettered right to retrieve any data and information from your computers as we deem appropriate, including electronically polling the daily information and other data of the Franchised Business. Your system must be interfaced with the system that we maintain at our offices and we will be able to access your registers to determine your daily receipts. There are no contractual limitations on our independent access to the information and data stored on the required cash register / computer



system. You must obtain, provide to us, and maintain an email address in order to allow us to communicate with you electronically and you must immediately advise us of any change in your email address.

All data that you provide, that we download from your system, and that we otherwise collect from you, including customer data, is owned exclusively by us, and we will have the right to use that data in any way that we deem appropriate without compensating you.

You must make such additions, upgrades, changes, modifications, substitutions and replacements to your computer hardware, software, telephone and power lines or other computer-related facilities as we may direct, and on the dates and within the times we specify. There are no contractual limitations on our right to require you to obtain upgrades and/or modifications, or the cost of these upgrades and/or modifications to you.

**Confidential Operating Manual**

We will lend you an operating manual (the “**Operating Manual**”), which is confidential and remains our property. We may modify the Operating Manual, but the modification will not alter your status and rights under the Franchise Agreement. The table of contents is attached as Exhibit D.

There are approximately 269 total pages in the Operating Manual.

**Initial Training**

**Training Program**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>Tempur-Pedic Franchising</b>	2.0 Hours	-	Our Headquarters or Virtual
<b>Grand Opening Process</b>	1.5 Hours	-	Our Headquarters or Virtual
<b>Store Operations</b>	5.0 Hours	-	Our Headquarters or Virtual
<b>In-Store Marketing and Merchandising</b>	0.5 Hours	-	Our Headquarters or Virtual
<b>Tempur-Pedic Product Training</b>	4.0 Hours	-	Our Headquarters or Virtual
<b>Tempur-Pedic Sales Process Training</b>	4.0 Hours	-	Our Headquarters or Virtual
<b>Tempur-Pedic Videos</b>	1.0 Hours	-	Our Headquarters or Virtual

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>Warranty &amp; Product Care</b>	0.5 Hours	-	Our Headquarters or Virtual
<b>e-learning /SNOOZ Training</b>	1.0 Hours	-	Our Headquarters or Virtual
<b>Customer Service</b>	2.0 Hours	-	Our Headquarters or Virtual
<b>Secret Shopper</b>	0.5 Hours	-	Our Headquarters or Virtual
<b>Inventory &amp; Replenishment</b>	1.0 Hours	-	Our Headquarters or Virtual
<b>Product Delivery</b>	1.0 Hours	-	Our Headquarters or Virtual
<b>National Advertising, Local Advertising &amp; Social Media</b>	1.5 Hours	-	Our Headquarters or Virtual
<b>Financial Reporting</b>	1.0 Hours	-	Our Headquarters or Virtual
<b>Partner Programs</b>	1.0 Hours	-	Our Headquarters or Virtual
<b>Franchisor Contacts</b>	0.5 Hours	-	Our Headquarters or Virtual
<b>Point of Sale (POS) Training</b>	4.0 Hours	-	Our Headquarters or Virtual
<b>Daily Store Operations</b>	-	5.0 Hours	Franchise In-store
<b>Daily Store Operations – Performance &amp; Business Analysis</b>	-	4.0 Hours	Franchise In-store
<b>Tempur-Pedic Sales Process Training</b>	-	8.0 Hours	Franchise In-store
<b>POS Operations</b>	-	4.0 Hours	Franchise In-store
<b>Review Store Merchandising and Maintenance Standards</b>	-	1.0 Hours	Franchise In-store
<b>Tempur-Pedic Product Training</b>	-	1.5 Hours	Franchise In-store
<b>Inventory &amp; Replenishment</b>	-	1.0 Hours	Franchise In-store
<b>Supplies &amp; Maintenance Review</b>	-	1.0 Hours	Franchise In-store
<b>SenSource Training</b>	-	1.0 Hours	Franchise In-store
<b>Delivery of Tempur-Pedic Products</b>	-	1.0 Hours	Franchise In-store
<b>Manual Transaction Training</b>	-	0.5 Hours	Franchise In-store
<b>Third-Party Financing</b>	-	1.0 Hours	Franchise

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
			In-store
<b>On the Job Training</b>	-	24.0 Hours (3 Days)	Franchise In-store
<b>TOTAL HOURS OF TRAINING</b>	32 Hours	53 Hours	

Our trainer is Miguel Marrero. He has been the Director of Training for the TRS locations since July 2019. Prior to this, Mr. Marrero served as the Director of International Sales at Protect-A-Bed from 2005 to 2018. Our initial training program will be offered as needed during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Franchised Businesses.

We may require that you, your Operating Principal, your Manager, and/or supervisors that we designate to attend optional or mandatory refresher training and/or ongoing educational training, seminars, conferences, webinars, other electronic communications and regional or national meetings relating to the operation of Franchised Businesses at locations we select. We may require designated employees to obtain certifications that we specify. We may charge you a reasonable fee for each of your trainees required or scheduled to attend such programs and conferences regardless of whether such employees actually attend. We reserve the right to require that you pay us \$1,000 per owned franchise annually for the Annual Conference. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you and your employees related to any such programs, conferences and/or Annual Conference/Retreat that we require. If we conduct training at your Franchised Business, you will be responsible for reimbursing us for the living and travel expenses of any of our representatives providing such training.

### **Opening**

You may not open the Franchised Business until you and your management team (as required) have completed Initial Training to our satisfaction and satisfied all of the other pre-opening obligations, including, securing all required licenses and insurance, hiring sufficient staff, ordering and receiving your Fixture Package and Initial Inventory, build out of the space in accordance with our System standards, and completing a grand opening campaign that we have approved.

Prior to opening the Franchised Business, you and your managers must, at your sole expense (including all travel and living expenses), attend and complete the initial training programs and courses that we require. You must complete Initial Training and be ready to open within 6 months of the signing of the Franchise Agreement unless we agree to a later date in writing. This is the typical length of time required to open a Franchised Business. Your ability to obtain a lease, financing, or building permits; zoning and local ordinances; or delayed installation of equipment, fixtures, and signs may also affect when you open the Franchised Business. We may require you to obtain a loan commitment for a working capital line of credit in an amount to support your Franchised Business as described in your Business Plan. If we impose this

requirement, you must provide documentation that the loan commitment has been secured at least 30 days prior to opening.

## ITEM 12 TERRITORY

### Franchise Agreement

You will not receive an exclusive territory. You may face competition from outlets that we own, or from other channels of distribution or competitive brands that we control.

However, under the Franchise Agreement you will have the sole right to operate a Franchised Business at a site selected by you and approved by us within the non-exclusive Designated Area. We will determine the Designated Area and insert it in the Franchise Agreement before you sign the Franchise Agreement. The Designated Area will exclude any existing or future protected area of another Tempur-Pedic franchisee that is or may be within the Designated Area. After your selection and our approval of a site for the operation of the Franchised Business, we will assign you a geographic protected area around your Franchised Business (“**Protected Area**”), and we will not, without your consent, establish, or grant a third party to establish, a Franchised Business within the Protected Area, as long as you remain in compliance with the Franchise Agreement and any other agreements you have with us or our affiliates. The Protected Area will be a radius of up to 5 miles surrounding your Franchised Business. After the Franchise Agreement has been assigned by us, we may not alter the Protected Area during the term of the Franchise Agreement without your consent, but your Protected Area may overlap with the protected area of other franchisees. Generally, the Protected Area will be a smaller radius around the Franchised Business if it is located in an urban setting and a larger radius in less densely populated suburban areas. The criteria which will influence the exact radius will include the format of the store you plan to open, population density, local economic and other demographic data, and other local market trends.

You may not sell our proprietary Products and related merchandise to customers that intend to trans-ship or otherwise transport such Products or merchandise outside of the United States for personal use or resale. You also may not engage in any promotional activities or sell our proprietary Products or similar products or services inside or outside the Protected Area, whether directly or indirectly, through any other method of distribution, including alternative distribution channels such as the Internet, catalog sales, telemarketing, or other direct marketing. Additionally, you may not place advertisements in printed media or on television and radio that are targeted to customers and prospective customers located outside of your Protected Area, and you may not sell our proprietary Products on a wholesale basis or to any business or other customer for resale.

We retain all rights other than those that we grant you under the Franchise Agreement. Among other things, this means we and our affiliates (and third-party retailers that we authorize) can, without compensation to you:

(a) grant third parties who operate mattress and furniture stores and other retail stores (“**Third-Party Retailers**”) in the Protected Area, the right to sell any mattresses or other products we or our affiliates or designees manufacture and offer for sale and a license to use certain of our Proprietary Marks for advertising purposes.

(b) provide, offer or sell products using the Marks and the System to customers located inside the Protected Area;

(c) advertise or promote products using the Marks in the Protected Area, including, but not limited to, at trade fairs, exhibitions, and similar events;

(d) offer and do offer dissimilar, similar, or identical products, or grant others the right to offer dissimilar, similar, or identical products and services, using the Marks or other marks through any channel of distribution in the Protected Area (including mail order catalogs and the Internet) other than a Franchised Business; and

(e) operate, and grant others the right to operate, businesses or outlets in the Protected Area offering dissimilar products or services under trademarks or service marks other than the Marks.

Maintenance of your protected status in the Protected Area is not dependent upon your achievement of any sales volume, market penetration or other criteria.

Your territorial rights in the Protected Area do not include the right to sell products at Non-Traditional Sites. “Non-Traditional Sites” include but are not limited to furniture or home décor markets, local fairs, and home and garden shows. We retain the right to operate or to license others to operate retail sites at Non-Traditional Sites. Presently, we plan to operate or license others to operate retail sites in local fairs, home and garden shows, or any other non-traditional site, some of which may be in your Protected Area.

The relocation of any Franchised Business will be subject to our prior written approval, which may be withheld on whatever basis we determine is in our best interests. If we approve relocation of the Franchised Business, its new location must be within the Protected Area.



You have no options, rights of first refusal, or similar rights to acquire additional franchises. Except for the Tempur Retail corporate units described in Item 1 neither we nor our affiliates have established or have present plans to establish franchises, company-owned outlets, or other channels of distribution offering and selling products and services similar to those to be offered by you under different trademarks. There are, however, no restrictions in the Franchise Agreement that would prohibit us from doing so.

## ITEM 13 TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Proprietary Marks for the purposes of the Franchised Business.

We license the right to use Proprietary Marks from our Parent. All of the Marks are sublicensed to us pursuant to a License Agreement with our Parent dated as of January 1, 2018 (the “**License Agreement**”). In the License Agreement, our Parent authorized us to use the Marks (which are licensed to our Parent from Dan Foam ApS, a Danish corporation that is a wholly-owned subsidiary of our Parent) in connection with the offer, sale, and support of Franchised Businesses. The License Agreement does not contain any significant limitations on our right to use or license the Marks to you and is perpetual in duration and may be terminated unilaterally by either party only upon a material breach of the License Agreement. Upon termination of the License Agreement, we must immediately discontinue the use of the Marks and assign to our Parent all of our franchise agreements licensing the use of the Marks, and our Parent has agreed to assume all obligations under such agreements arising from and after their assignment.

Dan Foam ApS owns the following Marks (and our Parent sublicenses the right to use each of the following Marks to us pursuant to the License Agreement described above) that have been registered on the Principal Register of the USPTO. Dan Foam ApS has renewed (and intends to renew) the registration(s) and has filed (and intends to file) all appropriate affidavits at the times required by law.

Proprietary Marks	Serial Numbers	Date of Filing	Registration Number	Registration Date
TEMPUR-PEDIC®	85982178	May 31, 2012	4581571	August 5, 2014
TEMPUR-PEDIC®	74247231	February 19, 1992	1853088	September 6, 1994
TEMPUR®	74322007	October 9, 1992	1926469	October 10, 1995
 TEMPUR-PEDIC®	87855869	March 29, 2018	5665207	January 29, 2019
 TEMPUR-PEDIC®	87855894	March 29, 2018	5606338	November 13, 2018

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the Proprietary Marks. There are no agreements currently in effect which significantly limit our right to use or license the use of the Proprietary Marks in any manner material to you.

Your right to use the Proprietary Marks is derived solely from the Franchise Agreement and is limited to your development and/or operation of the Franchised Business in compliance with the applicable agreement and all applicable standards, specifications and operating procedures we prescribe during the term of the applicable agreement. Any unauthorized use of the Proprietary Marks by you constitutes a breach of the applicable agreement and an infringement of our rights in and to the Proprietary Marks. Your use of the Proprietary Marks and any goodwill established by this use will inure to our exclusive benefit. The Franchise Agreement confers no goodwill or other interests in the Proprietary Marks on you. All provisions of the Franchise Agreement applicable to the Proprietary Marks will apply to any other trademarks, service marks, commercial symbols and trade dress we authorize in writing for use by and licensed to you after you sign the applicable agreement.

You must use the Proprietary Marks as the sole trade identification of the Franchised Business and must identify yourself in the form we prescribe as the independent owner of the Franchised Business. You may not use any Proprietary Mark or variation thereof as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. You may not use any Proprietary Mark in any manner we have not expressly authorized in writing. You must display the Proprietary Marks prominently in the manner we prescribe. You must give notices of trademark and service mark registrations that we specify and obtain business name registrations as required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Proprietary Mark or claim by any person of any rights in any Proprietary Mark. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have sole discretion to take action as we deem appropriate in connection with any infringement, challenge or claim, and the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Proprietary Mark. You must sign any and all instruments and documents, give assistance, and do any acts and things as may in the opinion of our counsel be necessary or advisable in order to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Proprietary Marks. We will reimburse you for the reasonable out-of-pocket expenses you incur and pay in complying with these requirements; except if any action we take with respect to any claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

The Franchise Agreement does not require us to take affirmative action when notified of any infringements of or challenges to the Proprietary Marks. We have the right to control any litigation or administrative proceedings involving the Proprietary Marks. We will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Proprietary Mark according to and in compliance with the applicable agreement, and for all costs you reasonably incur in the defense of any claim in which you are named as a party, if you have timely notified us of the claim, have given us sole control of the defense and settlement of any claim and have otherwise complied with the applicable agreement. If any action taken by us with respect to any claim or proceeding results in any monetary recovery



for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue the use of any Proprietary Mark and/or for the Franchised Business to use one or more additional or substitute trade or service marks, you must immediately comply with our directions to modify or otherwise discontinue the use of the Proprietary Marks and/or to use one or more additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress after our notice to you. Neither we nor our affiliates have any obligation to reimburse you for any expenditure you make in connection with any discontinuance or modification.

As of the date of this disclosure document, we are not aware of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks in any state.

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

**Patents and Copyrights**

We do not own any patents or pending patent applications that are material to the franchise. We do claim common law copyright protection and proprietary rights in the Operations Manual, the Corporate Websites, training, advertising and promotional materials and similar items used in operating the Franchised Business. These copyrights are not registered.

There currently are no effective determinations of the USPTO, United States Copyright Office or any court regarding any of the copyrighted works. No agreement limits our right to use or license the copyrighted works except to the extent they include trademarks licensed to us by Tempur World. We do not know of any infringing uses which could materially affect your use of the copyrighted works in any state. No agreement requires us to protect or defend the copyrighted works or Confidential Information (defined below), although we intend to do so when the action is in the best interests of our System. No agreement requires us to indemnify you for your expenses or damages if you are a party to an administrative or judicial proceeding involving the copyrighted materials.

According to the Franchise Agreement, you acknowledge and agree (1) that we may authorize you to use certain copyrighted or copyrightable works in our discretion, (2) that the copyrighted works are our valuable property and of which we are the owner, and (3) that the rights granted to you are solely on the condition that you comply with the terms of the Franchise Agreement. You must acknowledge and agree that we own or are the licensee of the owner of the copyrighted works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Franchised Businesses. The copyrighted works include the Operations Manual, training materials and may include all or part of the Proprietary Marks, trade dress and other portions of the Process. We intend that all works of authorship related to the Process and created in the future will be owned by us and copyrighted.

Your right to use the copyrighted works is derived solely from the Franchise Agreement and is limited to the use of the copyrighted works according to and in compliance with the agreement and all applicable standards, specifications, and operating procedures we prescribe. You must ensure that all copyrighted works used bear an appropriate copyright notice under applicable copyright laws as we may prescribe in the Operations Manual specifying that we are the owner of the copyright. The Franchise Agreement confers no interest in the copyrighted works upon you, other than the right to operate the Franchised Business in compliance with the agreement.

You must immediately notify us of any actual or apparent infringement of or challenge to any of the copyrighted works or claim by any person of any rights in the copyrighted works, and may not communicate with any person other than us and our counsel in connection with any infringement, challenge or claim. We shall have the sole discretion to take any action as we deem appropriate and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any alleged infringement, challenge or claim or otherwise relating to the copyrighted works.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue use of any of the copyrighted works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials.

### **Confidential Information**

We possess and will further develop and acquire certain confidential and proprietary information and trade secrets including, but not limited to, the following categories of information, methods, techniques, procedure, technologies, and knowledge that we, our affiliates, or our franchisees have developed or will develop (the “**Confidential Information**”) including: (1) methods, techniques, specifications, standards, policies, procedures, information, concepts and processes relating to knowledge of and experience in the development, operation, and franchising of the Franchised Business; (2) marketing and promotional programs for the Franchised Business and customer information; (3) methods of operation and practice management; (4) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and supplies for the Franchised Business; (5) operating results and financial performance of the Franchised Business; (6) the Operations Manual; and (7) the terms of the Franchise Agreement.

Under the Franchise Agreement, we will disclose to you parts of the Confidential Information as are required for the development and operation of the Franchised Business during training and in the course of any guidance or assistance furnished to you. You may learn or otherwise obtain from us additional Confidential Information during the term of the Franchise Agreement. You must agree to disclose the Confidential Information to your Stakeholders and employees only to the extent permitted by the Franchise Agreement.

You must acknowledge and agree that the Confidential Information is confidential to and a valuable asset of us and our affiliates, is proprietary, includes trade secrets of us and our affiliates and is disclosed to you on the condition that you agree that during and after the term of the applicable agreement you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; (4) will adopt and implement all reasonable procedures we prescribe to prevent unauthorized use or disclosure of the Confidential Information; and (5) will require all Stakeholders, spouses of Stakeholders, and all employees who have access to the Confidential Information to sign Confidentiality and Non-Competition Agreements in the form we approve and provide us, at our request, with signed copies of each agreement. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information in connection with the operation of other Franchised Businesses according to a Franchise Agreement or other Agreements with us.

If you have obtained our prior written consent, the restrictions on the disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques, technology, and knowledge which are or become generally known, other

than through deliberate or inadvertent disclosure by you; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose information, provided you have notified us prior to disclosure and used your best efforts to obtain, and afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

If you develop any new concepts, processes, improvements, technology, or innovations (“**Innovations**”) solely relating to the Confidential Information, whether or not pursuant to a test we authorize, you must promptly notify us and provide us with all information regarding the Innovations, all of which shall become our property or the property of our affiliates and which may be incorporated into the Franchised Business without any payment to you. You, at your expense, must promptly take all actions we deem necessary or desirable to vest our ownership of such Innovations. We shall have no obligation to make any payment with respect to any such Innovations. You will not use, nor will you allow any other person or entity to use, any such Innovations without obtaining our prior written approval. We may refuse, defer or permit you to use such Innovations in your operation of the Franchised Business, based on the peculiarities of a particular Approved Location, density of population, business potential, or any other condition or circumstance. We shall have the right, in our sole discretion, to deny any such request we believe would not be in our best interests.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE**  
**FRANCHISE BUSINESS**

**Franchise Agreement**

The Franchised Business must be under your direct supervision at all times. If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business, must have the power to bind you in all dealings with us, and must be directly involved in the daily operations of the Franchised Business. The Operating Principal must be disclosed when you sign the Franchise Agreement.

The Franchise Agreement requires you or your Operating Principal exert your full time best efforts to develop and expand the market for Products offered by the Franchised Business and to cooperate with us to accomplish the purposes of the Franchise Agreement. In that regard, you must not engage in any other business or activity that conflicts with your obligations under your Franchise Agreement. You must operate your Franchised Business in accordance with our System standards of service, advertising, marketing, promotion and management. You must comply with all our business policies, practices and procedures, including the operating times of your Franchised Business, as we prescribe in the Operating Manual, or otherwise in writing from time to time.

As noted in Item 11, as part of your initial training for up to 11 days, we will train five initial trainees at no charge. As part of the such training, there must be 5 initial trainees that include your managers or supervisors at your location, and you if you are an individual, or your Operating Principal if you are an entity. You must hire and maintain an adequate number and level of management and other personnel required for the conduct of the Franchised Business. You are responsible for ensuring that your managers, and other personnel are properly trained to perform their duties. As described in Item 14, we may require you to obtain confidentiality and non-competition agreements from your Operating Principal and certain of your employees.

Furthermore, if you are a business entity, each Owner must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement according to the Owner's Guaranty attached to the Franchise Agreement. No one other than the Owner is required to sign the Guaranty.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

All products and services you use at or sell from your Franchised Business must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Franchised Business.

You must offer and sell all the Products that we have expressly approved in writing. You must stop selling any products or services that we disapprove in writing. There is no limit on our right to add or remove Products from our approved list of products, and you must promptly comply with any changes that we require. You will be required to purchase all mattresses and certain other products that you sell at your Franchised Business from TPNA pursuant to the Product Supply Agreement.

You may not sell our proprietary Products and related merchandise to customers that intend to trans-ship or otherwise transport such Products or merchandise outside of the United States for personal use or resale. Additionally, you may not engage in any promotional activities or sell our proprietary products or similar products or services inside or outside the Protected Area, whether directly or indirectly, through any other method of distribution, including alternative distribution channels such as the Internet, catalog sales, telemarketing, or other direct marketing. Additionally, you may not place advertisements in printed media or on television and radio that are targeted to customers and prospective customers located outside of your Protected Area, and you may not sell our proprietary Products on a wholesale basis or to any business or other customer for resale.

You may not advertise, promote, post, or list information relating to your Franchised Business on the Internet (through the creation of a website or on Facebook, Twitter, Instagram, LinkedIn, or on any blog or other social media site) without our prior written consent and subject to your strict compliance with our guidelines and policies set forth in the Manuals or otherwise in writing. You must comply with any other social media policy for franchisees we may adopt, and we may change any such policy at any time.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or the customers to whom you may offer or sell.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in the Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	2.A	10 years
b. Renewal or extension	2.B	One additional term of 10 years
c. Requirement for franchisee to renew or extend	2.B, 2.C	Written notice of election, performed all material obligations during Initial Term, not in material breach, substantially complied with the Franchise Agreement, right to remain in possession of Your Location, you remodel or refurbish the store to meet the then current image for all stores in the System, execute a general release in our favor;  You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by franchisee	None	The Franchise Agreement does not provide for this. However, franchisees may terminate the Franchise Agreement under any grounds permitted by applicable state law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	15.B	We can terminate if you commit any one of several violations.
g. "Cause" defined—curable defaults	15.B	Failure to timely make payments, failure to comply with System Standards as outlined in the Franchise Agreement, including sales process, CSI, etc.; failure to comply with Advertising Policies; failure to adhere to minimum resale prices.

Provision	Section in the Franchise Agreement	Summary
h. “Cause” defined—non-curable defaults	15.B	Failure to maintain permits or licenses, failure to select a site within 90 days, failure to being operation within 180 days of selecting a site, failure to successfully complete training, transfer control of the Franchised Business without our consent, fail to actively operate the Franchised Business, convicted of felony, disclosure of Confidential Information, failure to maintain records and books, failure to pay taxes, repeated or habitual targeted marketing outside Protected Area, stock or sell unapproved items, assignment for the benefit of creditors.
i. Franchisee’s obligations on termination/non-renewal	16	Pay outstanding amounts
j. Assignment of contract by franchisor	14.A	No restriction on our right to assign.
k. “Transfer” by franchisee—defined	14.B	An assignment, sale, gift or other disposition, including transfer of a controlling interest in you.
l. Franchisor approval of transfer by franchisee	14.C	We have the right to approve all transfers, our consent not to be unreasonably withheld.
m. Conditions for franchisor approval of transfer	14.C	Transferee qualifies, all amounts due are paid in full, transferee successfully completes training, transferee executes our then-current franchise agreement, transfer fee paid, you sign a general release in our favor, you sign a non-competition agreement in our favor, you de-identify
n. Franchisor’s right of first refusal to acquire franchisee’s business	14.G	We can match any offer.
o. Franchisor’s option to purchase franchisee’s business	16.G	We can buy the business on termination or non-renewal for the price offered to you.
p. Death or disability of franchisee	14.E	Franchise must be assigned to approved buyer within 6 months.
q. Non-competition covenants during the term of the franchise.	7.A, Appendix C	Can’t divert business or operate a competing business anywhere. Note, however, non-competition provisions are subject to state law.



Provision	Section in the Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	7.B, Appendix C	No competing business for 2 years within or serving customers located within (i) the Protected Area or any protected area of another Franchised Business; (ii) a 50-mile radius from the borders of the Protected Area, or (iii) a 50-mile radius from any Tempur-Pedic store operated by us, our affiliates or our franchisees. Note, however, non-competition provisions are subject to state law.
s. Modification of agreement	18.B	No modifications generally except by signed writing, but Operations Manual is subject to change.
t. Integration/merger clause	18.A	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	17.A	The state of Kentucky or such other venue as the parties may agree (subject to state law described in any applicable State Specific Addendum in <u>Exhibit A</u> ).
w. Choice of law	17.B	Kentucky law applies (subject to state law described in any applicable State Specific Addendum in <u>Exhibit A</u> ).

See any state specific riders or addenda attached as Exhibit A.

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Martha Caywood, 1000 Tempur Way, Lexington, KY 40511 at (859) 455-1808, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
System wide Outlet  
Summary  
For years 2020 to 2022**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	55	76	+21
	2021	76	88	+12
	2022	88	99	+11
Total Outlets	2020	55	76	+21
	2021	76	88	+12
	2022	88	99	+11

**Notes:**

1. All numbers are as of our fiscal year end, which ends on December 31.

**TABLE NO. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2020	0
	2021	0
	2022	0
Totals	2020	0
	2021	0
	2022	0

**Notes:**

1. All numbers are as of our fiscal year end, which ends on December 31.

**TABLE NO. 3**  
**Status of Franchised Outlets**  
**For years 2020 to 2022<sup>(1)</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**Notes:**

1. All numbers are as of our fiscal year end, which ends on December 31.

**TABLE NO. 4**  
**Status of Company-Owned Outlets**  
**For years 2020 to 2022<sup>(1)</sup>**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Licensee	Outlets Closed	Outlets Sold to Licensee	Outlets at End of the Year
Alabama	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Arizona	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
California	2020	7	3	0	0	0	10
	2021	10	5	0	0	0	15
	2022	15	0	0	0	0	15
Colorado	2020	2	1	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Connecticut	2020	3	1	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
Florida	2020	2	2	0	0	0	4
	2021	4	1	0	0	0	5
	2022	5	3	0	0	0	8

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Licensee	Outlets Closed	Outlets Sold to Licensee	Outlets at End of the Year
Georgia	2020	0	2	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Idaho	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Illinois	2020	5	1	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
Indiana	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Iowa	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Kansas	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Louisiana	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Maryland	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Massachusetts	2020	1	1	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	1	0	0	0	3
Michigan	2020	0	1	0	0	0	1
	2021	2	0	0	0	0	2
	2022	3	0	0	0	0	3
Missouri	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Nevada	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
New Jersey	2020	5	1	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Licensee	Outlets Closed	Outlets Sold to Licensee	Outlets at End of the Year
New Mexico	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
New York	2020	2	2	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
North Carolina	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Ohio	2020	1	2	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Pennsylvania	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	1	0	0	0	3
Rhode Island	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
South Carolina	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Tennessee	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Texas	2020	6	1	0	0	0	7
	2021	7	1	0	0	0	8
	2022	8	3	0	0	0	11
Utah	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Virginia	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
Washington	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	1	0	0	0	4
Wisconsin	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Licensee	Outlets Closed	Outlets Sold to Licensee	Outlets at End of the Year
Totals	2020	55	21	0	0	0	76
	2021	76	12	0	0	0	88
	2022	88	11	0	0	0	99

**Notes:**

1. All numbers are as of our fiscal year end, which ends on December 31.

**TABLE NO. 5**  
**Projected Openings**  
**as of December 31, 2022**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Arizona	0	0	1
Florida	0	0	1
Georgia	0	0	1
Pennsylvania	0	0	1
Totals	0	0	4

The name, business address, and business telephone number of each current franchisee as of December 31, 2022 are listed on Exhibit B.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Franchised Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the date of issuance of this disclosure document are listed on Exhibit B.

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

As of the date of the disclosure document, we are not offering outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a supplement to this disclosure document.

As of the date of this disclosure document, we have no current or former franchisees who have signed provisions during the last 3 fiscal years restricting their ability to speak openly to you about their experience with the Tempur-Pedic franchise system.



As of the date of this disclosure document, no independent trademark-specific franchisee organizations have asked to be included in this disclosure document and there are no franchisee organizations sponsored or endorsed by us.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit H are our audited, fiscal year end financials for 2020, 2021 and 2022. Our fiscal year end is December 31.

**ITEM 22**  
**CONTRACTS**

The Franchise Agreement is Exhibit C to this disclosure document. The following contract forms are Exhibits to the Franchise Agreement:

Nondisclosure and Noncompete Agreement  
Guaranty and Assumption of Obligations  
Conditional Lease Assignment Provisions

The Sample Product Supply Agreement is attached as Exhibit E, and the Franchise Project Management Agreement is attached as Exhibit F to this disclosure document.

**ITEM 23  
RECEIPTS**

Attached as the last two pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

**EXHIBIT A**  
**STATE SPECIFIC ADDENDUM**

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq.*, and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the disclosure document or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the Disclosure Document is supplemented by the following language:

Neither we nor any person or identified in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

B. Item 5 of the disclosure document is supplemented by the following language:

Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Financial Protection and Innovation has required financial assurances. We will defer your obligation to pay the initial franchise fees until you are open for business and we have completed our pre-opening obligations. Therefore, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial franchise fees until we have completed our pre-opening obligations to the franchisee and the franchise is open for business. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the full initial franchise fees as contemplated by Item 5 of the disclosure document.

C. Item 17 of the Franchise Disclosure Document is supplemented by the following language:

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

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

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

d. The franchise agreement requires application of the laws of Kentucky. This provision may not be enforceable under California law.

2. The highest interest rate allowed by law in California is 10% annually.
3. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.
4. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
5. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.
6. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
7. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.
8. Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.
9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, arbitration may take place outside of Illinois.
3. Your rights upon termination and non-renewal of a franchise agreement (or are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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.
5. Payment of initial franchise fees will be deferred until the franchisor has met all of its initial obligations to franchisee and franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to the franchisor's financial status.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.



**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

1. Item 5 of the disclosure document is supplemented by the following language:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and other payments for goods and services received from the franchisor before the business opens, shall be deferred until the franchisor completes all of its pre-opening obligations under the franchise agreement.

2. Item 17.v. of the disclosure document, the Summary columns for “Choice of Forum,” are amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Except for any rights a franchisee has under the Maryland Franchise Registration and Disclosure Law to bring suit in Maryland for claims arising under the Law, mediation of disputes which are subject to mediation will be held in Lexington, Kentucky. Except as otherwise required by the Maryland Franchise Registration and Disclosure Law, venue for all proceedings arising under the Franchise Agreement is the state, county, or judicial district where our principal place of business is located, unless otherwise brought by us.

3. Item 17.c. of the disclosure document, “Requirements for you to renew or extend” (Franchise Agreement chart) and Item 17.m. “Conditions for our approval of transfer” (Franchise Agreement chart), are amended by the addition of the following:

The Code of Maryland Regulations (COMAR 02.02.08.16L.) states that a general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This may affect the enforceability of certain provisions in the Franchise Agreement relating to renewal, sale, assignment, or transfer of the Franchise Agreement.

4. Item 17 of the disclosure document is amended by adding the following note at the end of the Item:

Any claims that Franchisee may have under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. Item 17 of the disclosure document is amended by adding the following as the last paragraph:

A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this

addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchise 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.

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

1. Item 13 of the disclosure document is supplemented by the following language:  
We will protect your right to use the trademarks, service marks, trade names, logos, or other commercial symbols or will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the marks to the extent required by Minnesota law.
2. Item 17 of the disclosure document is supplemented by the following language:  
Under Minnesota law, and except in certain specified cases, we must give you 90 days notice of termination with 60 days to cure. We also must give you at least 180 days' notice of our intention not to renew a franchise and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with Minnesota law, Minnesota law will control.  
  
To the extent that any condition, stipulation, or provision contained in the Franchise Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with Minnesota franchise law, such condition, stipulation, or provision may be void and unenforceable under the non-waiver provision of Minnesota franchise law.
3. To the extent you are required to execute a general release in our favor, such release will exclude liabilities arising under the Minnesota Franchises Act or a rule or any order promulgated thereunder.
4. Sec. 80C.17, Sudb. 5 of the Minnesota Franchises Act provides that no action may be commenced thereunder more than 3 years after the cause of action accrues.
5. Sec. 80C.21 of the Minnesota Franchises Act and Minn. Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
6. All sections of the disclosure document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain.

7. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN ATTACHMENT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- (a) No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- (b) No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- (c) No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- (d) No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

To the extent allowed by the New York General Business Law, you may terminate the Agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum,"** and Item 17(w), titled **"Choice of law":** By adding the following in the "Summary" column opposite category v., "Choice of forum" and w., "Choice of law":

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

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

1. The “Summary” sections of Items 17(c) and 17(m) of the Disclosure Document are amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The “Summary” section of Item 17(r) of the Disclosure Document is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

3. The “Summary” section of Item 17(v) of the Disclosure Document is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, but subject to your arbitration obligations, you may bring an action in North Dakota.

4. The “Summary” section of Item 17(w) of the Disclosure Document is amended by adding the following:

Except for federal law, North Dakota law applies.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF VIRGINIA**

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Item 5 of the disclosure document is supplemented by the following:

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

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.



**ADDENDUM TO TEMPUR FRANCHISING US, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND NON-COMPETE AGREEMENT  
FOR THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Item 5 of the disclosure document is amended by adding the following:

In the state of Washington, the collection of the initial franchise fees described in Item 5 are deferred until we have fulfilled our pre-opening obligations and your Tempur-Pedic® retail outlet business is open for business.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**EXHIBIT B**  
**STATE ADMINISTRATORS**  
**& AGENTS FOR SERVICE OF PROCESS**

## STATE ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

### CALIFORNIA

Commissioner of the Department of  
Financial Protection and Innovation  
Suite 750  
320 West 4th Street  
Los Angeles, California 90013-2344

### CONNECTICUT

Cynthia Antanaitis  
Assistant Director  
Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, Connecticut 06103-1800  
(860) 240-8230

### FLORIDA

Florida Department of Agriculture &  
Consumer Services  
*Attn: Finance & Accounting*  
407 South Calhoun Street  
Tallahassee, Florida 32399-080

### HAWAII

Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### ILLINOIS

Chief, Franchise Bureau  
Attorney General's Office  
500 South Second Street  
Springfield, Illinois 62706

### INDIANA

Securities Commissioner  
Indiana Securities Division  
302 West Washington Street  
Room E-111  
Indianapolis, Indiana 46204

### KENTUCKY

Office of Attorney General  
Consumer Protection Division  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

### MARYLAND

Office of the Attorney General  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### MICHIGAN

Michigan Attorney General's Office  
Consumer Protection Division  
Attn.: Franchise Section  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa Street  
Lansing, Michigan 48933

**MINNESOTA**

Commissioner of Commerce  
Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101

**NEBRASKA**

Nebraska Department of  
Banking and Finance  
Commerce Court  
1526 K Street, Suite 300  
P.O. Box 95006  
Lincoln, Nebraska 68509

**NEW YORK**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, New York 10005  
(212) 416-8222 (Phone)

**NORTH DAKOTA**

Franchise Examiner  
North Dakota Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505

**OREGON**

Department of Consumer and  
Business Services  
Division of Finance and  
Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97301

**RHODE ISLAND**

Securities Division  
Department of Business Regulations  
1511 Pontiac Avenue  
John O. Pastore Complex-Building 69-1  
Cranston, Rhode Island 02920

**SOUTH DAKOTA**

Franchise Administrator  
Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501

**TEXAS**

Statutory Document Section  
Secretary of State  
P.O. Box 12887  
Austin, Texas 78711

**UTAH**

Director  
Department of Commerce  
Division of Consumer Protection  
160 East Three Hundred South  
P.O. Box 45804  
Salt Lake City, Utah 84111

**VIRGINIA**

State Corporation Commission  
Division of Securities and Retail  
Franchising  
Tyler Building, 9th Floor  
1300 East Main Street  
Richmond, Virginia 23219

**WASHINGTON**

Administrator  
Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

**WISCONSIN**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705

## AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

### CALIFORNIA

Commissioner of the Department of  
Financial Protection and Innovation  
Department of Financial Protection  
and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344

### CONNECTICUT

Banking Commissioner of State of  
Connecticut  
Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, Connecticut 06103-1800  
(860) 240-8230

### HAWAII

Commissioner of Securities  
Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### ILLINOIS

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### INDIANA

Secretary of State  
201 State House  
200 West Washington  
Indianapolis, Indiana 46204

### MARYLAND

Maryland Securities Commissioner  
Maryland Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### MICHIGAN

Michigan Department of Commerce  
Corporations and Securities Bureau  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa Street  
Lansing, Michigan 48933

### MINNESOTA

Commissioner of Commerce  
85 7<sup>th</sup> Place East  
Suite 280  
Saint Paul, Minnesota 55101

### NEW YORK

Secretary of State of  
the State of New York  
99 Washington Avenue  
Albany, New York 12231

## **NORTH DAKOTA**

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, 5<sup>th</sup> Floor  
Bismarck, North Dakota 58505-0510

## **OREGON**

Director  
Department of Consumer and  
Business Services  
Division of Finance and  
Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97301

## **RHODE ISLAND**

Director  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex - Building 69-1  
Cranston, Rhode Island 02920

## **SOUTH DAKOTA**

Director  
Department of Labor and Regulation  
Divisions of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501

## **VIRGINIA**

Clerk of the State  
Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219

## **WASHINGTON**

Director of Financial Institutions  
Securities Division  
150 Israel Rd. S.W.  
Tumwater, Washington 98501

## **WISCONSIN**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
201 West Washington Avenue, Suite 300  
Madison, Wisconsin 53703



**EXHIBIT C**  
**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

**FRANCHISEE:**

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**DATE OF AGREEMENT:**

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## TABLE OF CONTENTS

<b>Section</b>	<b>Page</b>
1. GRANT AND RENEWAL OF FRANCHISE .....	2
A. GRANT OF FRANCHISE .....	2
B. TERRITORIAL RIGHTS .....	2
C. RESERVATION OF RIGHTS .....	2
2. TERM .....	3
A. INITIAL TERM.....	3
B. RENEWAL OF FRANCHISE.....	3
C. NOTICE OF EXPIRATION.....	4
3. DEVELOPMENT AND OPENING OF FRANCHISED BUSINESS.....	4
A. DESIGNATED AREA .....	4
B. SITE SELECTION .....	4
C. SITE LEASE.....	5
D. PROTOTYPE AND CONSTRUCTION PLANS AND SPECIFICATIONS .....	5
E. DEVELOPMENT OF THE FRANCHISED BUSINESS .....	5
F. MANAGEMENT SYSTEMS.....	6
G. OPERATING ASSETS .....	7
H. FRANCHISED BUSINESS OPENING .....	7
I. MERCHANDISE SALES .....	7
J. RELOCATION OF FRANCHISED BUSINESS .....	8
K. DE-IDENTIFICATION OF ORIGINAL APPROVED LOCATION .....	8
L. MODIFICATION OF THE FRANCHISE SYSTEM .....	8
4. TRAINING AND GUIDANCE.....	9
A. SYSTEM/PROCEDURE TRAINING.....	9
B. SATISFACTORY COMPLETION OF TRAINING.....	9
C. OPENING ASSISTANCE.....	9
D. ADDITIONAL TRAINING PROGRAMS AND CONFERENCES .....	10
E. HIRING AND TRAINING OF EMPLOYEES .....	10
F. GUIDANCE AND ASSISTANCE.....	10
G. OPERATING AND TRAINING MANUALS .....	11
5. MARKS .....	11
A. OWNERSHIP AND GOODWILL OF MARKS.....	11
B. LIMITATIONS ON YOUR USE OF MARKS.....	11
C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS .....	12
D. DISCONTINUANCE OF USE OF MARKS .....	12
6. CONFIDENTIAL INFORMATION .....	12
A. RECEIPT OF CONFIDENTIAL INFORMATION.....	12
B. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.....	13
C. CUSTOMER INFORMATION.....	13
7. COVENANTS NOT TO COMPETE .....	14
A. DURING TERM.....	14
B. AFTER TERMINATION, EXPIRATION, OR TRANSFER .....	14
C. EXCEPTIONS .....	15
D. COVENANTS OF OWNERS AND EMPLOYEES .....	15
E. ENFORCEMENT OF COVENANTS.....	15

8.	INDEMNIFICATION.....	15
	A. INDEMNIFICATION BY YOU .....	15
	B. INDEMNIFICATION PROCEDURE.....	16
	C. WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.....	16
9.	FEES AND OTHER CHARGES.....	17
	A. INITIAL FRANCHISE FEE.....	17
	B. ROYALTY FEES.....	17
	C. MARKETING FEE .....	17
	D. PAYMENT SCHEDULE .....	17
	E. INTEREST ON LATE PAYMENTS .....	17
	F. APPLICATION OF PAYMENTS.....	18
	G. SET OFF OPTION .....	18
	H. TAXES.....	18
	I. MINIMUM RESALE PRICING .....	18
10.	OPERATING STANDARDS.....	19
	A. PRODUCTS AND SERVICES OFFERED .....	19
	B. SOURCING RESTRICTIONS.....	19
	C. SYSTEM STANDARDS.....	20
	D. MODIFICATION OF SYSTEM STANDARDS .....	21
	E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES .....	21
	F. MANAGEMENT OF THE FRANCHISED BUSINESS .....	22
	G. INDEPENDENT PROFESSIONAL JUDGMENT OF STAFF.....	22
	H. INSURANCE.....	22
	I. INNOVATIONS.....	23
	J. CUSTOMER SERVICE AND IMAGE STANDARDS .....	23
	K. MAINTENANCE OF FRANCHISED BUSINESS .....	24
11.	ADVERTISING, MARKETING AND PROMOTION .....	24
	A. ADVERTISING AND MARKETING BY FRANCHISEE.....	24
	B. COOPERATIVE ADVERTISING.....	25
	C. OUR ADVERTISING AND MARKETING.....	25
	D. ADVISORY COUNCIL .....	25
	E. MARKETING FUND.....	25
	F. DIGITAL MARKETING .....	26
	G. PARTICIPATION IN PROMOTIONS .....	27
12.	RECORDS AND REPORTS.....	27
	A. ACCOUNTING AND RECORDS.....	27
	B. REPORTS AND TAX RETURNS.....	27
13.	INSPECTIONS AND AUDITS.....	28
14.	TRANSFER.....	28
	A. TRANSFER BY FRANCHISOR .....	28
	B. TRANSFER BY FRANCHISEE.....	28
	C. CONDITIONS FOR APPROVAL OF TRANSFER.....	29
	D. TRANSFER TO A WHOLLY-OWNED CORPORATION, PARTNERSHIP LIMITED LIABILITY COMPANY .....	30
	E. YOUR DEATH OR DISABILITY.....	30
	F. EFFECT OF CONSENT TO TRANSFER.....	31
	G. OUR RIGHT OF FIRST REFUSAL .....	31
	H. PUBLIC OFFERING.....	31

15.	DEFAULT AND TERMINATION .....	32
	A.    BY FRANCHISOR.....	32
	B.    OTHER REMEDIES .....	34
	C.    DESCRIPTION OF DEFAULT .....	35
	D.    EXERCISE OF OTHER REMEDIES .....	35
	E.    CROSS DEFAULT.....	35
	F.    CONTINUANCE OF BUSINESS RELATIONS.....	36
	G.    NOTICE REQUIRED BY LAW .....	36
	H.    OUR RIGHT TO SEND NOTIFICATIONS OF TERMINATION .....	36
16.	OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT .....	36
	A.    PAYMENT OF AMOUNTS OWED TO US.....	36
	B.    DE-IDENTIFICATION.....	36
	C.    CONFIDENTIAL INFORMATION .....	37
	D.    COVENANT NOT TO COMPETE .....	38
	E.    CONTINUING OBLIGATIONS.....	38
	F.    FRANCHISOR’S RIGHT TO PURCHASE .....	38
17.	DISPUTE RESOLUTION .....	38
	A.    JURISDICTION AND VENUE .....	38
	B.    GOVERNING LAW.....	39
	C.    WAIVER OF PUNITIVE DAMAGES .....	39
	D.    WAIVER OF JURY TRIAL.....	39
	E.    REMEDIES NOT EXCLUSIVE .....	39
	F.    OUR RIGHT TO INJUNCTIVE RELIEF .....	39
	G.    LIMITATIONS OF CLAIMS.....	39
	H.    ATTORNEYS’ FEES AND COSTS .....	39
18.	MISCELLANEOUS .....	40
	A.    ENTIRE AGREEMENT.....	40
	B.    AMENDMENTS AND MODIFICATIONS .....	40
	C.    SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.....	40
	D.    WAIVER OF OBLIGATIONS.....	41
	E.    FORCE MAJEURE .....	41
	F.    YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.....	41
	G.    NO THIRD PARTY BENEFICIARIES .....	41
	H.    BINDING EFFECT .....	41
	I.    ADDITIONAL OR INCONSISTENT TERMS .....	41
	J.    SURVIVAL .....	42
	K.    INDEPENDENT CONTRACTOR RELATIONSHIP .....	42
	L.    EXECUTION IN COUNTERPARTS .....	42
	M.    CONSTRUCTION.....	42
19.	NOTICES AND PAYMENTS .....	43
20.	ACKNOWLEDGEMENTS AND ENTITIES.....	43
	A.    ACKNOWLEDGMENTS .....	43
	B.    ENTITIES .....	44
	C.    COMPLIANCE WITH ANTI-TERRORISM LAWS .....	45
	APPENDIX A FRANCHISEE-SPECIFIC TERMS.....	1
	APPENDIX B OWNERS AND MANAGERS .....	1
	APPENDIX C NONDISCLOSURE AND NONCOMPETE AGREEMENT .....	1

APPENDIX D GUARANTY AND ASSUMPTION OF OBLIGATIONS ..... 1

APPENDIX E CONDITIONAL LEASE ASSIGNMENT PROVISIONS ..... 1

APPENDIX F SAMPLE LETTER OF CREDIT LANGUAGE ..... 1

**APPENDICES**

APPENDIX A           FRANCHISEE-SPECIFIC TERMS

APPENDIX B           OWNERS AND MANAGER

APPENDIX C           NONDISCLOSURE AND NONCOMPETE AGREEMENT

APPENDIX D           GUARANTY AND ASSUMPTION OF OBLIGATIONS

APPENDIX E           CONDITIONAL LEASE ASSIGNMENT PROVISIONS

APPENDIX F           SAMPLE LETTER OF CREDIT LANGUAGE

## TEMPUR FRANCHISING US, LLC

### FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (this “**Agreement**”) made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Tempur Franchising US, LLC, a Delaware limited liability company with its principal place of business at 1000 Tempur Way, Lexington, KY 40511 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Agreement, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

### RECITALS

A. We and our affiliates have accumulated knowledge and experience in the mattress and bedding industry on the basis of which we have developed and will continue to develop a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) for the operation of a retail store specializing in the sales under the mark “TEMPUR-PEDIC”. The distinguishing characteristics of the System include, but are not limited to, our retail store designs, layouts, and trade dress; our specifications for operation of the business; our relationships with vendors; our software and computer programs; the accumulated experience reflected in our training program, operating procedures, customer service standards, methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time in our sole discretion.

B. We identify the businesses operating under the System by means of the mark TEMPUR-PEDIC® and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos that we specify (the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time. These marks which will also be included in the term the “Marks.”

C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Appendix B. If you are an Entity, the individual Owner who you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your “**Operating Principal**.” The term “**Manager**” shall mean the person referred to in Section 10.F (Management of the Franchised Business) of this Agreement and identified on Appendix B.

D. You have applied for a franchise to operate a Tempur-Pedic retail store that offers mattresses, bedding and other sleep related products that meet our standards and minimum specifications using the System and the Marks (a “**Franchised Business**”), and we are willing to grant to you a license to open and operate a Franchised Business on the terms and conditions of this Agreement.

## 1. GRANT AND RENEWAL OF FRANCHISE

### A. GRANT OF FRANCHISE

Subject to the provisions of this Agreement, we hereby grant to you a non-exclusive license (the “**License**”) to own and operate a Franchised Business at the location specified in Appendix A (“**Your Location**”) and to use the Marks and the System in the operation of the Franchised Business. Termination or expiration of this Agreement will constitute termination or expiration of the License. You are not authorized to offer any of the products and services offered by the Franchised Business at wholesale.

### B. TERRITORIAL RIGHTS

After your selection of, and our consent to, Your Location, we will assign you a geographic protected area around your Franchised Business as identified in Appendix A (the “**Protected Area**”). Except as otherwise provided in this Agreement and subject to your full compliance with this Agreement and any other agreement between you or your affiliates and us or our affiliates, we or our affiliates will not establish or authorize any person or Entity other than you to establish a Franchised Business in the Protected Area during the term of this Agreement.

### C. RESERVATION OF RIGHTS

Except as provided in Section 1.B, the rights granted to you under this Agreement are non-exclusive, and we and our affiliates have and retain all other rights with respect to Franchised Businesses, the Marks, and the System within and outside the Protected Area, including (by way of example only and not as a limitation):

(1) Outside of the Protected Area, we and our affiliates have the right to conduct, or grant others the right to conduct, any business activities without any limitation.

(2) Inside of the Protected Area:

(a) We and our affiliates may grant third parties who operate mattress and furniture stores and other retail stores (“**Third-Party Retailers**”) in the Protected Area, the right to sell any mattresses or other products we or our affiliates or designees manufacture and offer for sale and a license to use certain of our Proprietary Marks for advertising purposes;

(b) We, our affiliates, our other Third-Party Retailers, and our designees have the right to provide, offer or sell products using the Marks and the System to customers located inside the Protected Area;

(c) We, our affiliates, our other Third-Party Retailers, and our designees have the right to advertise or promote products using the Marks in the Protected Area, including, but not limited to, at trade fairs, exhibitions, and similar events;

(d) We, our affiliates, other Third-Party Retailers, or our designees have the right to offer and do offer dissimilar, similar, or identical products, or grant



others the right to offer dissimilar, similar, or identical products and services, using the Marks or other marks through any channel of distribution in the Protected Area (including mail order catalogs and the Internet) other than a Franchised Business; and

(e) We and our affiliates have the right to operate, and grant others the right to operate, businesses or outlets in the Protected Area offering dissimilar products or services under trademarks or service marks other than the Marks.

## 2. **TERM**

### A. **INITIAL TERM**

The initial term of the License (the “**Initial Term**”) shall begin on the Effective Date and expire on the 10-year anniversary of the Effective Date.

### B. **RENEWAL OF FRANCHISE**

You may, at your option, renew the License for an additional 10-year term (the “**Renewal Term**,” and collectively, with the Initial Term, the “**Term**”), provided that:

(1) You have given us written notice of an election to renew not less than six (6) months nor more than nine (9) months prior to the end of the Initial Term;

(2) You or your affiliate(s) are not at such time in material breach of any of your obligations under this Agreement or any other agreement with us or our affiliates;

(3) During the Initial Term and at the time of renewal you have performed all your material obligations and have, in our sole discretion, substantially complied on a timely basis with all of the conditions and requirements of this Agreement and any other agreements with us or our affiliates throughout the terms of such agreements;

(4) You present evidence satisfactory to us that you have the right to remain in possession of Your Location during the Renewal Term or obtain our consent of a substitute location acceptable and approved by us, without any interruption in business;

(5) You refurbish, repair or replace at your expense all equipment, computer systems, signs, interior and exterior décor items, fixtures, furnishings, supplies and other items required for the operation of the Franchised Business as we may reasonably require and must otherwise upgrade the Franchised Business to reflect our then-current System Standards. You acknowledge that such requirements may include extensive changes, and you will commence such refurbishing, repair, replacement and upgrades promptly upon notice from us and shall complete such requirements as expeditiously as possible, but in any event prior to the commencement of the Renewal Term; and

(6) Subject to applicable law, you and your Owners execute a general release, in a form prescribed by us, of any claims against us and our affiliates, and our and their officers, directors, agents and employees.

Your renewal will be effectuated by execution of our then-current form of franchise agreement, and all other agreements, instruments and documents then customarily used by us in granting franchises for Franchised Businesses, the terms of which may differ materially from this Agreement including fees due to us. In such renewal franchise agreement, you may not receive the right to enter into an additional renewal term. A renewal fee in the amount of twenty five percent (25%) of the then-current initial franchise fee will be payable upon renewal of the Agreement.

**C. NOTICE OF EXPIRATION**

If applicable law requires us to give you notice of expiration of this Agreement at a specified time prior to such expiration, and we have not done so, then the term of this Agreement will be extended to the date following which our notice has been given and the legally required notice period has expired.

**3. DEVELOPMENT AND OPENING OF FRANCHISED BUSINESS**

**A. DESIGNATED AREA**

You assume all cost, liability, expense and responsibility for locating (including any costs and expenses associated with engaging our designated real estate broker), obtaining and developing a site for the Franchised Business within the non-exclusive geographic designated area described in Exhibit A (the “Designated Area”). You acknowledge and agree that the you acquire no rights in and to the Designated Area, other than the right to select a site for the Franchised Business from within its boundaries, and, without limitation of the foregoing, you have no exclusivity rights in the Designated Area. You further acknowledge and agree that the Designated Area excludes (i) any existing protected area of another Franchised Business within the Designated Area and (ii) any protected area of another Tempur-Pedic franchisee which may be designated after the execution of this Agreement and is within the Designated Area. Following our consent to, and your acquisition of, a site for the Franchised Business pursuant to this Section 3, the location of such site for the Franchised Business will be added to Exhibit A and the Designated Area will have no further force or effect.

**B. SITE SELECTION**

You must operate your Franchised Business from a site located in the Designated Area. You must have your site selected within ninety (90) days of signing this franchise agreement. You agree that you must use the company we designate in our Manuals to assist you with site selection and you may not select Your Location without using the designated company. You agree that you will not execute a lease or purchase contract for a site without our prior written approval. The lease for the site must allow for the renovation of the site, and the installation of all equipment and other items necessary to operate the Franchised Business. In addition, the lease shall provide, if required by us, that it be assignable to us or our designee at our option, upon termination or expiration of this Agreement, and shall also contain such terms and provisions as are reasonably required by us. You acknowledge that our acceptance of the location for the store does not constitute any assurance that the Franchised Business will be profitable at the location or more profitable at the location in comparison to other premises. You agree that our acceptance is only

an indication that the particular location for the site meets our minimum criteria and in no way is a representation or warranty of viability.

**C. SITE LEASE**

Promptly following our written approval of your proposed site, you agree to obtain a lease or sublease for the location which, unless we otherwise approve in writing in advance, must contain the provisions in the form in Appendix E to this Agreement. You agree to deliver us a copy of any proposed lease or sublease and any related documents (collectively, the “**Lease**”) before you execute the Lease. Any Lease will be subject to our advance written approval, which we will not unreasonably withhold or delay, provided that, we expressly reserve the right to disapprove any Lease not accompanied by the provisions in the form attached as Appendix E.

You may not, in any Lease, create any obligations or grant any rights against us or our affiliates or agree to any term, condition or covenant which is inconsistent with this Agreement or any related agreement. You also acknowledge and agree that you are bound by the terms, conditions, covenants and obligations of the Lease. You may not assign transfer or encumber your Lease or sublet all or any part of Your Location without our advance written approval.

**D. PROTOTYPE AND CONSTRUCTION PLANS AND SPECIFICATIONS**

You must use the third parties we designate for the construction and build out of Your Location. We will review and may, in our sole discretion, approve plans and specifications reflecting our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a site. It will be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the site. You must submit final construction plans and specifications to us for approval before construction begins at the site, and the Franchised Business must be constructed in accordance with those approved plans. Unless we otherwise agree in writing, all plans and specifications including final construction plans and specifications, will be our property (and you will take all steps necessary to ensure such plans and specifications are our property) and shall not be reproduced, including digitally, without our prior written consent. Our review of your plans will be limited to ensuring that they comply with our design specifications, which are not based upon any structural or scientific studies. By approving your plans we in no way represent or warrant Your Location will be structurally sound or fit for any intended purpose or that the plans will comply with applicable laws or regulations or lease requirements. We will not be liable to you for any defects in workmanship or structural integrity of Your Location that is constructed in accordance with plans that we approve.

**E. DEVELOPMENT OF THE FRANCHISED BUSINESS**

You agree at your own expense to do the following within a reasonable time after you have obtained possession of the site, but in any event by such period as may be provided in any lease we have approved: (1) secure all financing required to fully develop the Franchised Business; (2) obtain all required building, utility, sign, health, sanitation, and any other required permits and licenses; (3) construct the site according to the construction plans and specifications we have approved using our approved construction management vendor detailed in our Manuals;

(4) decorate the site in compliance with plans and specifications we have approved using the vendors we specified in our Manuals; (5) purchase and install all required equipment, furniture, furnishings, and signs; and (6) purchase an opening inventory of all required products, supplies and materials.

## **F. MANAGEMENT SYSTEMS**

(1) You agree to use in the development and operation of the Franchised Business the management system, computer hardware, mobile devices, applications, and software (“**Management Systems**”) that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Management Systems from time to time. As part of the Management Systems, we may require you to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We may also require that all or parts of the Management Systems be purchased or contracted through us, our affiliate, or our designee. Our modification of such specifications for the components of the Management Systems may require you to incur costs to purchase, lease and/or license new or modified computer hardware, mobile devices, and/or software and to obtain service and support for the Management Systems during the Term. You acknowledge that we cannot estimate the future costs of the Management Systems (or additions or modifications thereto) and that the cost to you of obtaining the Management Systems (including software licenses) (and additions or modifications thereto) may not be fully amortizable over the remaining Term. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Management Systems (and additions or modifications thereto). You further acknowledge and agree that we have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the Management Systems. We shall have independent access to data on your Management Systems, including Gross Sales figures and customer data. There are no contractual limitations on our right to access this information and data; however, we will not be able to change or modify any data on the Management Systems. You acknowledge that all data on your Management Systems, including customer data, is owned by us.

(2) You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the Management Systems, and you agree to abide by those reasonable new standards we establish as if this Section 3.F were periodically revised by it for that purpose.

(3) You also must comply, at your expense, with all laws, industry standards, and payment card provider standards relating to the security of the Management Systems and data collected from customers, including, without limitation, the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded, if the Management Systems (or any of its components) fails to operate on a continuous basis or as we or you expect, or if there is a data breach.

(4) You must maintain a break/fix warranty with a vendor (subject to Sourcing Restrictions in Section 10.B) on all hardware selected in accordance with our specifications in the manual.

#### **G. OPERATING ASSETS**

You agree to use in the development and operation of the Franchised Business only those brands, types, and/or models of mattresses, furniture, bedding, slippers, sleepwear, other merchandise, fixtures, furnishings and signs (collectively, “**Operating Assets**”) we have approved, and also agree to purchase them from suppliers we have designated or approved, which in some cases our affiliates will be the only approved supplier. You further agree to place or display at the Franchised Business only the signs, emblems, lettering, logos and display materials that we approve in writing, including any signs we designate to reflect the fact that you are a franchisee. See Section 10.B. (Sourcing Restrictions) for additional sourcing requirements.

#### **H. FRANCHISED BUSINESS OPENING**

You agree not to open the Franchised Business for business until: (1) all of your obligations under Sections 3.A through 3.F have been fulfilled; (2) we determine that the Franchised Business has been constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have approved; (3) you (or your Operating Principal), your Manager (if you appoint one) and the number of trainees required in Section 4.B have completed System/Procedure Training to our satisfaction; (4) the Initial Franchise Fee and all other amounts due to us have been paid; and (5) you have furnished us with copies of all insurance policies required by Section 10.H. (Insurance) of this Agreement. You shall open the Franchised Business and commence business within six (6) months of signing the lease for Your Location but in no event more than nine (9) months after the execution of this Agreement, unless you obtain a written extension of such time period from us.

#### **I. MERCHANDISE SALES**

You agree that all sales made by you shall be made solely at Your Location and that you do not have the right to sell products or services offered by the Franchised Business at any non-traditional site, including, but not limited to, furniture or home décor markets, local fairs, and home and garden shows. You may not sell our proprietary products and related merchandise to customers that intend to trans-ship or otherwise transport such products or merchandise outside of the United States for personal use or resale. You shall not engage in any sales of any products, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Protected Area. You may not sell our proprietary products on a wholesale basis or to any business or other customer for resale.

**J. RELOCATION OF FRANCHISED BUSINESS**

If your lease for the premises of the Franchised Business terminates without fault of you, or if the premises is damaged, condemned or otherwise unusable, or if in your and our reasonable judgment there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, we shall grant permission to you for relocation of the Franchised Business to a location approved by us. Any such relocation shall be at your sole expense, including payment of our then-current relocation fee.

**K. DE-IDENTIFICATION OF ORIGINAL APPROVED LOCATION**

You agree that in the event of a relocation of the Franchised Business, you shall promptly remove from the first Franchised Business premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, marketing materials and other articles which display any of the Marks or any distinctive features or designs association with Tempur-Pedic businesses. Furthermore, you shall, at your expense, immediately make such modifications or alterations as may be necessary to distinguish the first Franchised Business so clearly from its form appearance and from other Tempur-Pedic businesses and to prevent any possibility of confusion therewith by the public (including, without limitation, removal of all distinctive physical and structural features identifying Tempur-Pedic businesses and removal of all distinctive signs and emblems), You shall, at your expense, make such specific additional changes as we may reasonably request for this purpose. If you fail to initiate immediately or complete such alterations within such period of time as we deem appropriate, you agree that we or our designated agents may enter the premises of the first Franchised Business and adjacent areas at any time to make such alterations, at your sole risk and expense, without responsibility for any actual or consequential damages to the property of you or others, and without liability for trespass or other tort or criminal act. You expressly acknowledge that your failure to make such alterations will cause irreparable injury to us and consents to the entry, at your expense, of an ex-parte order by a court of competent jurisdiction authorizing us or our agents to take such action, if we seek such an order. Compliance with the foregoing shall be a condition subsequent to our approval of any relocation request by you, and in the event complete de-identification of the first Franchised Business premises is not promptly and completely undertaken, we may then revoke permission for relocation and declare a default under this Agreement pursuant to Article 15 hereof.

**L. MODIFICATION OF THE FRANCHISE SYSTEM**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best, to vary the System for, and to provide different levels of service to, any franchisee or affiliate owned location, based upon the peculiarities of any condition or factors that we consider important to that franchisee's successful operation. You have no right to require us to grant you a similar variation or accommodation or to provide the same level of service.

#### 4. TRAINING AND GUIDANCE

##### A. SYSTEM/PROCEDURE TRAINING

We will furnish to you (or your Operating Principal, if you are an Entity), your Manager, and up to three additional manager or supervisor trainees an initial training program (“**System/Procedure Training**”) of up to eleven (11) days in the operation of a Franchised Business at a location and time designated by us. We will provide System/Procedure Training, including all related training materials, to your five (5) initial trainees at no charge. The five (5) initial trainees must be managers or supervisors at your location, and you if you are an individual or your Operating Principal if you are an Entity, must be one of the five (5) initial trainees. **YOU, NOT US, ARE RESPONSIBLE FOR TRAINING ANY EMPLOYEES YOU HIRE.** You will be responsible for all wages and travel and living expenses incurred by you and your trainees in connection with such System/Procedure Training. If any trainees repeat System/Procedure Training, if more than four trainees attend System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us our current per diem rate at the time of training per day for each such trainee to attend attending System/Procedure Training. Our training is intended to be instructive in nature and is intended to assist you in operating a Franchised Business. We will not be liable to you for any claims that may occur as a result of you or your employees following the training that we teach.

##### B. SATISFACTORY COMPLETION OF TRAINING

At a minimum you, your Manager and your Operating Principal must complete System/Procedure Training to our satisfaction. If we determine, in our sole discretion that you, or any of your appointed attendees are unable to satisfactorily complete System/Procedure Training, we may, at our option, require you or them to retake System/Procedure Training or terminate this Agreement upon written notice to you. We may require any of your trainees to receive additional remedial training at your expense. You must maintain the minimum number of managers or supervisors who have completed System/Procedure Training to our satisfaction at all times during the Term that we proscribe in the Operation Manual(s). Prior to you or your trainees attending any of our training programs, you must first supply us with executed copies of any non-disclosure and non-compete agreements that we may require from you or your trainees.

##### C. OPENING ASSISTANCE

We will provide advice, guidance and support in connection with the opening and initial operation of the Franchised Business in our sole discretion. We expect at a minimum the last three (3) days of training will be on site at Your Location in advance of your opening. We may, at your request, provide you with additional on-site assistance. If we provide you with this additional on-site assistance you will be required to pay our reasonable fees for any on-site opening assistance and will be responsible for the reasonable travel, lodging and per diem expenses incurred by our personnel in providing such on-site assistance. You agree to participate in and cooperate with us in connection with such on-site assistance.

#### **D. ADDITIONAL TRAINING PROGRAMS AND CONFERENCES**

We may require that you, your Operating Principal, your Manager, and/or supervisors that we designate to attend optional or mandatory refresher training and/or ongoing educational training, seminars, conferences, webinars, other electronic communications and regional or national meetings relating to the operation of Franchised Businesses at locations we select. We may require designated employees to obtain certifications that we specify. We may charge you a reasonable fee for each of your trainees required or scheduled to attend such programs and conferences regardless of whether such employees actually attend. We reserve the right to require that you pay us \$1,000 per owned franchise annually for the Annual Conference. If we assess this fee we will bill you no later than January 10th of the year of the assessment. This amount will be due by February 1st each year. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you and your employees related to any such programs, conferences and/or Annual Conference/Retreat that we require. If we conduct training at your Franchised Business, you will be responsible for reimbursing us for the living and travel expenses of any of our representatives providing such training.

#### **E. HIRING AND TRAINING OF EMPLOYEES**

You must hire all employees and staff of the Franchised Business, be exclusively responsible for the terms of their employment and compensation, and be exclusively responsible for ensuring that such employees and staff are trained in accordance with the System in the proper operation of the Franchised Business. Your Franchised Business must be adequately staffed to meet reasonably anticipated demand for services. In the event your Manager ceases to be employed by you and you or your Operating Principal cannot supervise on-site the day-to-day operation of the business, you must have a new manager attend and successfully complete System/Procedure Training within 60 days of such termination. **You agree that we are not the employer for any employees you hire. All management, personnel and training requirements are at your discretion and are your responsibility. We will hold you solely liable and responsible for any breach of this agreement or failure to follow our System by any employees.**

#### **F. GUIDANCE AND ASSISTANCE**

We shall maintain an advisory relationship with you including ongoing telephone consultation to aid in the proper and effective operation of the System, the frequency and duration of which shall be in our sole discretion. As we in our sole discretion deem necessary, we will furnish you with guidance in connection with: (1) methods and techniques for operation of a Franchised Business; (2) marketing and promotion; (3) the establishment of administrative, bookkeeping, accounting and general operating procedures for the proper operation of the Franchised Business; (4) delivery and logistics; and (5) any changes in the Franchised Business, authorized services, standards or operating procedures we prescribe for Franchised Businesses. Such guidance will be furnished in the Manuals, bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications and/or consultations at our offices or at the Franchised Business. If requested by you, and subject to our schedule, we will provide additional guidance and assistance at the Franchised Business at the per diem fees and hourly charges we establish from time to time.



## **G. OPERATING AND TRAINING MANUALS**

We will loan you, or provide you with access to, one copy of our Manuals, which are specifically incorporated into this Agreement by reference. The Manuals will contain mandatory and suggested specifications, standards, and operating procedures which we prescribe from time to time for Franchised Businesses, as well as information relative to other obligations you have in the operation of the Franchised Business. The Manuals may be modified from time to time to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses in our sole discretion. You must keep your copy of the Manuals current by immediately inserting all modified pages we furnish to you. We may provide access to the Manuals via a paper hard copy, on a restricted website or intranet or extranet or via other means we specify. If a dispute develops with respect to the contents of the Manuals, the master copy we maintain at our principal office will be controlling. **You agree that you will not at any time copy any part of the Manuals, permit any part of it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating the Franchised Business, or remove it from Your Location without our permission.**

## **5. MARKS**

### **A. OWNERSHIP AND GOODWILL OF MARKS**

You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to your conduct of the Franchised Business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by us from time to time during the Term. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. You agree that all usage of the Marks by you and any goodwill established thereby will inure to our exclusive benefit and you acknowledge that this Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols that we subsequently authorize you to use in conjunction with the Franchised Business. You may not at any time during or after the term of this Agreement contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

### **B. LIMITATIONS ON YOUR USE OF MARKS**

You agree to use the Marks as the sole identification of the Franchised Business, provided that you must identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any of the Marks as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any of the Marks in connection with the sale of any unauthorized service or in any other manner not expressly authorized in writing by us. You agree to prominently display the Marks on or in connection with the Franchised Business, contracts, stationery, other forms we designate, and in the manner we prescribe, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

**C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS**

You must immediately notify us of any apparent infringement of or challenge to your use of any of the Marks, or claim by any person of any rights in any of the Marks, and you may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation or Patent and Trademark Office or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any of the Marks and you agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of counsel selected by us, deems necessary or advisable to protect and maintain our interests in any such litigation or Patent and Trademark Office or other proceeding or to otherwise protect and maintain our interests in the Marks.

**D. DISCONTINUANCE OF USE OF MARKS**

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue use of any or all of the Marks, and/or use one or more additional or substitute trademarks or service marks, you agree, at your expense, to comply with our instructions within a reasonable time after notice from us.

**6. CONFIDENTIAL INFORMATION**

**A. RECEIPT OF CONFIDENTIAL INFORMATION.**

You acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, our stores, or the construction, management, operation, or promotion of the Franchised Business (collectively, “**Confidential Information**”), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Franchised Businesses, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Franchised Businesses; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Franchised Businesses use and/or sell; (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer information, customer communication and customer retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. “Confidential Information” does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of you, (ii) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (iii) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

## **B. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.**

We and our affiliates own all right, title, and interest in and to the Confidential Information. You will not, nor will you permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Franchised Business. You acknowledge that your use of the Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. You will be liable to us for any unauthorized use or disclosure of Confidential Information by any employee or other person to whom you disclose Confidential Information. You will take reasonable precautions to protect the Confidential Information from unauthorized use or disclosure and will implement any systems, procedures, or training programs that we require. At our request, you will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third-party beneficiary of such covenants with the independent right to enforce the agreement.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under a Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

## **C. CUSTOMER INFORMATION**

(1) You must comply with our System Standards, other directions from us, and all applicable laws and regulations regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Information on your Management Systems or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Information. “**Customer Information**” means names, contact information, financial information, credit card information and other personal information of or relating to the Franchised Business’ customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Information, you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Information was compromised or disclosed. You are solely responsible for any financial losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Customer Information in your control or possession and shall indemnify us as to any such losses.

(2) You agree that all Customer Information that you collect from customers and potential customers in connection with your Franchised Business is deemed to be owned by us, and must be furnished to us at any time that we request it. In addition, we and our affiliates

may, through the Management Systems or otherwise, have independent access to Customer Information.

(3) You have the right to use Customer Information while this Agreement or a successor franchise agreement is in effect, but only to market products and services under the Marks to customers in accordance with the policies that we establish periodically and applicable law. You may not sell, transfer, or use Customer Information for any purpose other than marketing products and services under the Marks. We and our affiliates may use Customer Information in any manner or for any purpose. You must secure from your customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit Customer Information to us and our affiliates, and for us and our affiliates to use that Customer Information, in the manner that this Agreement contemplates.

## 7. **COVENANTS NOT TO COMPETE**

### A. **DURING TERM**

You acknowledge that you will receive valuable, specialized training and confidential information regarding the operational, sales, promotional, and marketing methods of the Tempur-Pedic retail concept. During the Term, you and your Owners, Operating Principal or Manager will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity (e.g., through an affiliate, spouse, child, or other relative):

(1) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (a) any other business offering or providing services or products competitive with or similar to the services or products offered or provided by Franchised Businesses or (b) any business which franchises or licenses others to offer or provide such services or products other than another Franchised Business operated pursuant to a separate franchise agreement (collectively, each, a “**Competitive Business**”) at any location anywhere;

(2) divert or attempt to divert any business or customer or potential business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise;

(3) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(4) use any vendor relationship established through your association with us for any purpose other than to purchase products, services or equipment for use or retail sale in the Franchised Business.

### B. **AFTER TERMINATION, EXPIRATION, OR TRANSFER**

(1) For two (2) years after the expiration or termination of this Agreement or an approved transfer to a new franchisee, you and your Owners may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business located within or serving customers that are

located within (i) the Protected Area or any protected area of another Franchised Business, (ii) a 50-mile radius from the borders of the Protected Area, or (iii) a 50-mile radius from any Tempur-Pedic store operated by us, our affiliates or our franchisees. With respect to the Owners, the time period in this Section 7.B. will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

**C. EXCEPTIONS**

Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 7.

**D. COVENANTS OF OWNERS AND EMPLOYEES**

The Owners personally bind themselves to this Section 7 by signing this Agreement or the attached Guarantee. We may, in our sole discretion, require you to obtain from your officers, directors, Managers, Owners' spouses, and other individuals that we may designate executed nondisclosure and noncompete agreements in the form attached as Appendix C or in another form that we designate or approve in writing. Such agreements will specifically identify us as having the independent right to enforce them.

**E. ENFORCEMENT OF COVENANTS**

You and your Owners acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Section 7 are reasonable and necessary for the protection of our legitimate business interests; (ii) you and they have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; (iv) you and they possess skills and abilities of a general nature and have other opportunities for exploiting such skill, such that enforcement of the covenants made in this Section will not deprive you or they of your or their personal goodwill or ability to earn a living; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 7 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 7. You acknowledge that any breach or threatened breach of this Section 7 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 7. Such injunctive relief will be in addition to any other remedies that we may have.

**8. INDEMNIFICATION**

**A. INDEMNIFICATION BY YOU**

You agree to indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors, and assignees (the

“**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the Franchised Business’ operation; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; (iv) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Franchised Business’ construction, design or operation, and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (v) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to Section 8.C. (Willful Misconduct or Gross Negligence). “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants’, arbitrators’, mediators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

#### **B. INDEMNIFICATION PROCEDURE**

You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 8.A.(i) through (v) above (collectively, “**Proceedings**”), including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 8 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 8.C. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8. Your obligations in this Section 8 will survive the expiration or termination of this Agreement.

#### **C. WILLFUL MISCONDUCT OR GROSS NEGLIGENCE**

Despite Section 8.A., you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 8.B.) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s willful misconduct or gross negligence, so long as the claim to which those Losses relates is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this Section 8.C. limits your obligation to defend us and the other Indemnified Parties under Section 8.B.

## 9. FEES AND OTHER CHARGES

### A. INITIAL FRANCHISE FEE

You agree to pay to us a nonrecurring initial franchise fee in the amount specified in Appendix A upon the execution of this Agreement (the “**Initial Franchise Fee**”). The Initial Franchise Fee will be fully earned by us and nonrefundable when paid except as otherwise provided in this Agreement.

### B. ROYALTY FEES

You must pay us a monthly royalty fee (the “**Royalty Fee**”) equal to 6% of the monthly Gross Sales of the Franchised Business. “**Gross Sales**” means all revenue of the Franchised Business, including all sales of products and services to customers of the Franchised Business and any delivery fee charged by you to such customers, whether for cash or credit and regardless of collection in the case of credit, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on revenues, if those taxes are separately stated when the customer is charged, and also excluding bona fide refunds actually paid to customers. “Gross Sales” includes all proceeds from the sale of coupons, gift cards, gift certificates, or vouchers; provided, that when the coupons, gift cards, gift certificates, or vouchers are redeemed, you may credit their retail price against Gross Sales to determine the amount of Gross Sales upon which fees calculated in respect of Gross Sales are due.

### C. MARKETING FEE

You may be required to contribute up to 2% of the monthly Gross Sales of the Franchised Business (the “**Marketing Fee**”) to a national marketing fund (the “**Marketing Fund**”) that we will administer, should we in our sole discretion establish a Marketing Fund. See Section 11.E. (Marketing Fund) for a description of the Marketing Fund.

### D. PAYMENT SCHEDULE

Royalty Fees and the Marketing Fee will be due and payable by Electronic Funds Transfer (“**EFT**”), or such other method as we may prescribe, within ten (10) days of the end of each month. We may require that you authorize us to initiate debit or credit entries and/or credit collection entries to your bank and that you make funds available for withdrawal by EFT no later than the due date for payment.

### E. INTEREST ON LATE PAYMENTS

All amounts which you owe to us will bear interest after the due date at the rate of 5% per month or the highest rate permitted by law, whichever is less. If any payment of any amounts due to us is returned or declined because of insufficient funds in your account, we have the right to charge you \$150 for each returned check or declined withdrawal. In addition, you shall owe a late fee of 5% on any overdue amounts (the “**Late Fee**”). You acknowledge that this Section 9.E. does not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to, or otherwise finance your operation of, the Franchised Business. Further, you acknowledge that your failure to pay all amounts when due will constitute grounds for termination

of this Agreement, as provided in Section 15 (Default and Termination), notwithstanding the provisions of this Section 9.E.

**F. APPLICATION OF PAYMENTS**

We will have sole discretion to apply any payments from you to any of your past due indebtedness for Royalty Fees, Marketing Fees, interest or any other indebtedness. This provision does not constitute consent to late payments or an agreement to extend credit. You may not withhold, set-off or recoup payment of any amount due on the grounds of the alleged non-performance or breach by us or any of our affiliates under this or any other agreement.

**G. SET OFF OPTION**

We may set off against any money owed by Us or Our Affiliate(s) to You or Your Affiliate(s) pursuant to this Agreement or otherwise. This right of set off will continue until You have paid, satisfied or discharged all monies, debts or liabilities due or owing to Us and Our Affiliates. You hereby irrevocably authorize Us or Our Affiliate to deduct from any monies payable by Us or Our Affiliate to You or Your Affiliate(s) pursuant to this Agreement or otherwise any monies due or owing to Us or Our Affiliates by You or Your Affiliate from time to time. If in Your jurisdiction set-off is not possible due to the local laws We or Our Affiliate(s) will hold monies due to You or your Affiliate as a lien, free from interest, until such time as You or Your Affiliate(s) have paid all monies owed by You or your Affiliate to Us and Our Affiliate(s).

**H. TAXES**

You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Royalty Fee and the Marketing Fee, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of any Royalty Fee or Marketing Fee, not including any tax measured on our income.

**I. MINIMUM RESALE PRICING**

In order to preserve our reputation for providing customers with high quality products, to ensure that customers receive good service and see our products in attractive displays, and to ensure a fair price for consumers and a reasonable return for our franchisees, to the extent that we are permitted by applicable state law to establish policies related to maximum and/or minimum resale prices for products, you must follow such policies (as may be modified by us from time to time in our sole discretion). We will provide you with a list of our Minimum Resale Price (“MRP”) for products that you sell at your Franchised Business. To the extent permitted by applicable law, you agree that you will not charge retail prices that are lower than the MRP reflected in our MRP list, as updated from time to time, as we, in our sole discretion, deem necessary. Failure to comply with this Section 9.I. will be a material breach of this Agreement and grounds for termination.



## **10. OPERATING STANDARDS**

### **A. PRODUCTS AND SERVICES OFFERED**

You agree that the Franchised Business must offer all services and products we prescribe for a Franchised Business and will not offer or sell any services or products other than services and products that we have approved in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

### **B. SOURCING RESTRICTIONS**

(1) We have the right to require that products, supplies, services, and Operating Assets that you purchase for resale or purchase or lease for use in your Franchised Business: (a) meet specifications that we establish from time to time; (b) be a specific brand, kind, or model; (c) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (d) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). Specifications may include minimum standards and requirements for quantity, design, appearance, function, performance, serviceability and warranties. To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. You agree to participate in any purchasing or distribution cooperatives that we may establish.

(2) If you propose to purchase any brand, type, and/or model of products, supplies, services, and Operating Assets which is not then approved by us, you will first notify us and will submit to us, on our request, sufficient written specifications, photographs, drawings, samples, and/or other information for a determination by us of whether the brand, type, and/or model of products, supplies, services, and Operating Assets complies with our specifications and standards, which determination will be made and communicated to you in writing within sixty (60) days after receipt of the necessary samples and information. In the event we do not respond within sixty (60) days your request is deemed denied. We do not make our criteria for approving suppliers available to franchisees. We may approve or disapprove a supplier or item in our sole discretion. We may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether you may purchase items from such supplier. Upon our approval of your proposed item and/or supplier, we will permit you to contract with the alternative supplier. We may revoke approval of a supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

(3) We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with you and other franchisees and to use all amounts they receive without restriction for any purposes they deem appropriate. You also understand that, if we or our affiliates sell items to you, we and they may make a reasonable profit on the items.

(4) To secure payment of your obligations to us or our affiliate(s), we or our affiliate(s) may, in our sole discretion, require you to provide one or more irrevocable standby letters of credit. Example language for a typical letter of credit is attached hereto as Appendix F. The precise amount of the letter of credit will be determined by us or our affiliate, in our sole discretion. If you are required to provide an irrevocable standby letter of credit, the letter of credit must be in a form acceptable to us or our affiliate(s). We or our affiliate(s) shall have the right to evaluate any changes in your business including, but not limited to, volume, past performance or credit history and based on the review require you to increase the amount of your letter(s) of credit or furnish an additional letter of credit.

**C. SYSTEM STANDARDS**

(1) You acknowledge that the development and operation of the Franchised Business in accordance with our System Standards is essential to preserve the reputation and high standards of quality and service of Franchised Businesses and the goodwill associated with the Marks. You must develop and operate the Franchised Business in accordance with each and every System Standard, as periodically modified or supplemented by us. System Standards may govern any and all aspects of the development and operation of the Franchised Business, including, without limitation, the following:

- (a) design, layout, décor, color schemes, music, graphics appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements and Operating Assets; periodic painting; and use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;
- (b) delivery of services and products;
- (c) sale of authorized products;
- (d) appearance of the Franchised Business;
- (e) qualifications, training, dress and appearance of Franchised Business employees (subject to applicable law);
- (f) use of the Marks and protection of Confidential Information;
- (g) products, materials and supplies used in the Franchised Business;
- (h) sales, marketing and promotional materials and programs;
- (i) use of standard formats and similar items;
- (j) use of the Management Systems and other computer software;
- (k) adoption of technological developments or advances;
- (l) the addition or deletion of new products and/or services;

(m) customer invoicing timing and procedures;

(n) hours of operation; and

(o) such other aspects of the operation and maintenance of the Franchised Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Franchised Business and other Franchised Businesses.

**D. MODIFICATION OF SYSTEM STANDARDS**

We periodically may modify System Standards (including modifications that require you to offer additional or different products or services) and any elements of the System and these modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs. You agree to implement any changes in System Standards or the System within the time period we request, as if they were part of this Agreement as of the Agreement Date.

**E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES**

(1) You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, false advertising, occupational hazards, health, workers' compensation and unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. We make no representation to you regarding any legal requirements that you, your Operating Principal, your Manager or the Franchised Business must satisfy or comply with in connection with the Franchised Business or your business under this Agreement. You shall be solely responsible for investigating and complying with all applicable legal requirements.

(2) In connection with your compliance with applicable legal requirements, you and your Owners certify, represent, and warrant that none of your or any of your Owner's property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term "Anti-Terrorism Laws" means any laws against terrorism or terrorist activities or acts of war applicable to Your Location, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), and the USA PATRIOT Act. You further certify that neither you nor your Owners are listed on the Annex to Executive Order 13244 (the Annex is available at <http://www.treasury.gov>) and will not become so listed, hire any person so listed or have dealings with a person so listed. You agree to immediately notify us if you or any of your Owners become so listed. If you, your Owners, your Operating Principal, your Manager or your employees violate any of the Anti-Terrorism Laws or become listed on the Annex to Executive Order 13244, we may terminate this Agreement immediately.

(3) All marketing and promotion by you must be completely factual and must conform to the highest standards of ethical marketing. The Franchised Business must in all dealings with its clients, referral sources, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or marketing practice which may be injurious to our business and the goodwill associated with the Marks and other Franchised Businesses. You must notify us in writing within five days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Franchised Business and of any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

#### **F. MANAGEMENT OF THE FRANCHISED BUSINESS**

If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. If you are an Entity, the Operating Principal must be directly involved in the daily operations of the Franchised Business. In addition, it is recommended that you appoint an operations manager that must successfully complete System/Procedure Training (the “**Manager**”) to supervise the operation of the Franchised Business. The initial Manager is identified on Appendix B of this Agreement. You, your Operating Principal, or your Manager must at all times supervise the on-premises operation of the Franchised Business. You agree that you, your Operating Principal, and your Manager will at all times faithfully, honestly and diligently perform all obligations under this Agreement and will continuously exert your and his or her full time and best efforts to promote and enhance the Franchised Business.

#### **G. INDEPENDENT PROFESSIONAL JUDGMENT OF STAFF**

The parties acknowledge and agree that System Standards, Manuals, and any other training, specifications, standards and operating procedures related to the services provided by the Franchised Business are not intended to limit or replace your, your Operating Principal’s or your Manager’s professional judgment in supervising and operating the Franchised Business. The Manuals, System Standards and other training, specifications, standards and operating procedures represent only the minimum standards and your Operating Principal, Manager and other professionals are solely responsible for ensuring that the Franchised Business performs in accordance with all applicable requirements and standards of care. Nothing in this Agreement shall obligate your Operating Principal, Manager or other professionals to perform any act that is contrary to your or their professional judgment, applicable standards of care or any laws or regulations; provided, however, that you must notify us immediately upon your determination that any specification, standard or operating procedure is contrary to your or their professional judgment.

#### **H. INSURANCE**

(1) During the Term, you will be required to maintain certain insurance. During the Term, you must maintain in force at your sole expense such insurance as is necessary to comply

with all laws and as is customary for similar businesses in the state or jurisdiction in which the Franchised Business operates or as we may reasonably prescribe from time to time, including but not limited to workers' compensation, public liability and property damage, professional liability, business interruption and general and umbrella coverages. Such insurance coverage must be maintained under one or more policies of insurance of the types and containing such terms and conditions and minimum liability protection in such amounts, as are specified from time to time by us and issued by insurance carriers rated "A+" by A.M. Best Company. We may from time to time increase the minimum amount of coverage required under any policy, and require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies required hereunder must name us and our officers, directors and employees as additional insureds, contain a waiver by the insurance carrier of all subrogation rights against us and must provide that we will receive 30 days' advance written notice of termination, expiration or cancellation or modification of any such policy. A detailed list of our minimum insurance requirements is included in our Manuals, which we may modify from time to time.

(2) You must furnish to us within 30 days after execution of this Agreement and each year thereafter a copy of the certificate of or other evidence of the procurement, renewal or extension of each such insurance policy upon receipt (or binder, pending receipt of each such policy).

(3) Your obligation to obtain and maintain the insurance described above will not be limited in any way by reason of any insurance we maintain, nor will your performance of such obligations relieve you of any obligations under Section 8 (Indemnification) of this Agreement.

(4) Should you fail to obtain the required insurance we shall have the right to obtain coverage on your behalf and charge you the costs of procuring this insurance and an additional administrative fee of \$2,500.

#### **I. INNOVATIONS**

All ideas, concepts, techniques, or materials relating to a Franchised Business, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this Section you assign ownership of that item, and all related rights to that item, to us and agree to sign, and cause your employees and other agents to sign, whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

#### **J. CUSTOMER SERVICE AND IMAGE STANDARDS**

You covenant and agree that you shall conduct business in conformity and compliance with the image, integrity, quality, cleanliness and product and service standards as described in our Operations Manual from time to time. You acknowledge and agree that strict adherence to the standards provides the basis for the goodwill associated with the Marks and the System. Your

failure to comply with the standards in this Section 10.J will constitute a breach of this Agreement, for which we shall have the right to terminate according to Section 15.A. hereof.

**K. MAINTENANCE OF FRANCHISED BUSINESS**

You shall maintain, at your own expense, at all times, the interior and exterior of your Franchised Business and all fixtures, furnishings, signs and equipment in the highest degree of cleanliness, orderliness, sanitation and repair, as determined by us, and to make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Franchised Business without our prior written consent, except that you shall be required to periodically renovate, refurbish and update your Franchised Business so that it is in substantial conformity with our then-current design. We shall not require you to renovate, refurbish and/or update the Franchised Business more frequently than every five (5) years during the term of this Agreement, and shall not require you to expend greater than Seventy Five Thousand Dollars (\$75,000) on such periodic renovation, refurbishment and/or updates.

**11. ADVERTISING, MARKETING AND PROMOTION**

**A. ADVERTISING AND MARKETING BY FRANCHISEE**

(1) During the Term, we reserve the right to require you to do local advertising and marketing. If we exercise this right you would be required to spend up to two percent (2%) of your Gross Sales each month on local advertising and marketing. Your advertising and marketing should be tailored to your specific market area. This local advertising and marketing obligation is in addition to the Marketing Fee you must pay to us, should a Marketing Fund be established. You must report on the amount you spend on advertising and marketing to us on a quarterly basis. We may require you to participate in certain advertising or marketing programs at your expense.

(2) You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. You agree to conduct all advertising and marketing in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising, marketing and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

(3) You specifically agree and acknowledge that we have specific advertising and policies in place and that we have the right to establish maximum and/or minimum prices at which you are permitted to advertise Tempur-Pedic products for sale in your Franchised Business. You agree that you will adhere to all advertising policies which we have developed, as they may be revised from time to time, as we deem necessary in our sole discretion (the “**Advertising Policies**”). Any breach of our Advertising Policies shall be a material breach of this Agreement and you could be subject to termination.

**B. COOPERATIVE ADVERTISING**

You agree that we may designate a geographic area in which two or more Franchised Businesses are located as a region in order to establish a regional advertising cooperative (a “**Cooperative**”). We may form, modify, dissolve, or merge any Cooperative at any time. The Cooperative’s members in any area will include all of the Franchised Businesses operating in that area (including us or our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. Each Cooperative shall operate in accordance with our Manuals or a written governing document which we may amend at any time upon written notice to the Cooperative’s members. Each Cooperative’s purpose is, with our approval, to administer advertising and marketing programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. If, as of the time you sign this Agreement, we have established a Cooperative for the geographic area in which the Franchised Business is located, or if we establish a Cooperative in that area during the Term, you agree to sign the documents we require to become a member of the Cooperative and to participate in the Cooperative as those documents require. You agree to contribute to the Cooperative the amounts determined by the Cooperative. Such amounts will not be counted toward your local advertising and marketing obligation in Section 11.A. (Advertising and Marketing by Franchisee), should we require you to do local marketing or advertising.

**C. OUR ADVERTISING AND MARKETING**

We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising, marketing or other promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our affiliates will retain all copyrights relating to such materials.

**D. ADVISORY COUNCIL**

We may, at our option, establish a franchisee advisory council to facilitate communications between us and our franchisees regarding marketing activities and other activities we deem appropriate. If we elect to establish an advisory council, you agree to participate in its activities and to pay any dues we may assess for administration of advisory council programs, and you will be responsible for your expenses incurred in connection with advisory council programs. You will be permitted to vote for franchisee representatives on the advisory council in accordance with guidelines that we may establish from time to time. Furthermore, we will have the option to modify or eliminate any advisory council that we may establish from time to time.

**E. MARKETING FUND**

(1) Should we establish one, we will direct all advertising and marketing production financed by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them. The Marketing Fund may be used to pay the costs of preparing and producing newspaper ads, television ads, coupon, direct mail pieces, digital advertising and related materials. With our written approval, you can use these advertisements in

your operations. Any modifications or customizations to these advertisements made by you shall require our prior written approval.

(2) The Marketing Fund will be held in an account separate from our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Marketing Fund and its advertising and marketing programs (including, without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Marketing Fund). We may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Marketing Fund in that year. We may cause the Marketing Fund to borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. We may collect for remission to the Marketing Fund any advertising or marketing monies or credits offered by any supplier to you based upon purchases you make. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising and marketing costs of the Marketing Fund before other assets of the Marketing Fund are expended. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Marketing Fund and will make it available to you on written request.

(3) You understand and acknowledge that the Marketing Fund is intended to maximize recognition of the Marks and patronage of Franchised Businesses. Although we will endeavor to use the Marketing Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Franchised Businesses operating in that geographic area or that any Franchised Businesses will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials. Advertising and marketing materials produced by the Marketing Fund may be local, regional, or national in nature. Except as described above, we assume no direct or indirect liability or obligation to you regarding the maintenance, direction, or administration of the Marketing Fund.

(4) We may terminate the Marketing Fund by giving you 30 days' prior written notice. All unspent monies on the date of termination shall be divided between us and franchisees in proportion to the respective contributions during the 12-month period prior to termination. At any time thereafter, we may reinstate the Marketing Fund.

## **F. DIGITAL MARKETING**

(1) We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "**Digital Marketing**") that are intended to promote the Marks, your Franchised Business, and the entire network of Franchised Businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct



or be involved in any Digital Marketing that use the Marks or that relate to the Franchised Business or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically, including but not limited to, supplying us with current user names, password, credentials and/or other account information. You must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

(2) As part of our Digital Marketing, we or one of our designees will operate and maintain a system website, which will include basic information related to the Franchised Business. You must promptly provide us with any information that we request regarding your Franchised Business for inclusion on the website.

#### **G. PARTICIPATION IN PROMOTIONS**

We may, in our sole discretion, institute promotional programs to include franchised locations. You are required and agree to participate in any promotional program instituted by us, in our sole discretion. Such promotional programs may be regional, national, or international, and you are required to participate as directed by us. You may be required to purchase materials, provide free products to guests, or to otherwise incur expenses as part of a promotional program or programs, and you shall bear these costs. We shall have full discretion to initiate, continue, modify or cancel any promotional program at any time.

### **12. RECORDS AND REPORTS**

#### **A. ACCOUNTING AND RECORDS**

During the Term, you agree to establish and maintain recordkeeping and accounting systems conforming to the requirements prescribed by us from time to time, including but not limited to all sales checks, purchase orders, invoices and cash receipts. All books and records of the Franchised Business must be maintained at your dedicated office or such other location as we shall approve in writing.

#### **B. REPORTS AND TAX RETURNS**

(1) You must furnish to us the following reports: (a) concurrently with the payment of the Royalty Fees, a statement of the Gross Sales for the preceding month; (b) within 10 days after the end of each calendar month, an unaudited statement of profit and loss and financial condition of the Franchised Business for the preceding month; and (c) within 90 days after the end of your fiscal year, a fiscal year-end balance sheet and income statement and statement of changes in financial position of the Franchised Business for such fiscal year, reflecting all year-end adjustments, prepared in accordance with generally accepted accounting principles.

(2) You must furnish to us any other periodic reports we prescribe and such other information and supporting records as we from time to time prescribe. All reports, financial statements (except audited statements), and information must be on forms prescribed or approved by us and shall be verified and signed by you. You must maintain readily available for inspection

by us, and must furnish to us upon our request, exact copies of the electronic file that contains your accounting records in the computer software we require you to use and any state sales tax returns and federal and state income tax returns filed by you that reflect the operation of the Franchised Business.

(3) You must furnish us within 60 days of filing, but in no event later than October 15 of each calendar year, true and correct copies of your federal and state corporate income tax returns for the Franchised Business, if you are an Entity, and true and correct copies of your federal and state personal income tax returns if you are not an Entity.

### **13. INSPECTIONS AND AUDITS**

To determine whether you are complying with this Agreement, we will have the right at any time during business hours, and upon reasonable notice to you, to (a) inspect your offices, retail location or any other facility used by you and (b) inspect and audit, or cause to be inspected and audited, the Franchised Business and accounting records, sales and income tax returns, and other records of the Franchised Business and any Competing Business in which you have any interest or involvement in whatsoever. You must cooperate with our representatives and any independent accountants hired by us to conduct any such inspection or audit. If the audit or any other inspection should reveal that any payments to us have been underpaid, then you shall immediately pay to us the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. If the inspection discloses an underpayment of 5% or more of the amount due for any period covered by the audit, you shall, in addition reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies we may have.

### **14. TRANSFER**

#### **A. TRANSFER BY FRANCHISOR**

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interest in it.

#### **B. TRANSFER BY FRANCHISEE**

(1) You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the License to you in reliance upon our perceptions of your or your Owners' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest in this Agreement) nor any ownership or other interest in you or the Franchised Business may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "transfer" includes your or your Owners' voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) an ownership interest in you; or (c) the Franchised Business.

(2) An assignment, sale, gift or other disposition includes, but is not limited to, the following events: (a) transfer of ownership of capital stock, a membership interest, or a partnership interest; (b) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you; (c) any issuance or sale of your stock or any security convertible to your stock; (d) transfer of an interest in you, this Agreement or the Franchised Business in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law; (e) transfer of an interest in you, this Agreement or the Franchised Business, in the event of your death or the death of one of your Owners of, by will, declaration of or transfer in trust or under the laws of intestate succession; or (f) pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Franchised Business or your transfer, surrender or loss of possession, control or management of the Franchised Business.

### C. CONDITIONS FOR APPROVAL OF TRANSFER

If you and your Owners are in full compliance with this Agreement, then subject to the other provisions of this Section 14 (Transfer), we will not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Section. The proposed transferee and its Owners must be individuals of good character and otherwise meet our then applicable standards for Franchised Business franchisees. A sale or transfer of ownership, possession or control of the Franchised Business may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement, of the Franchised Business or a controlling interest in you (“**controlling interest in you**” means 33 $\frac{1}{3}$ % or more of your voting shares, ownership interests or other voting rights if you are an Entity owned by three or more persons; otherwise, 50% or more of your voting shares or other voting rights or ownership interests), or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement, the Franchised Business or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(1) the transferee, in our sole discretion, has sufficient business experience, aptitude and financial resources to operate the Franchised Business;

(2) you have paid all Royalty Fees, Marketing Fees, and amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;

(3) the transferee has agreed to complete System/Procedure Training to our satisfaction;

(4) the transferee has agreed to execute our then-current form of franchise agreement for the remaining term of this Agreement;

(5) you or the transferee pay us a transfer fee equal to 50% of the initial franchise fee then being charged for Franchised Businesses, to defray expenses we incur in connection with the transfer;

(6) you and your transferring Owners have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their shareholders, officers, directors, employees and agents;

(7) you and your transferring Owners have executed a non-competition agreement in favor of us and the transferee agrees to be bound, commencing on the effective date of the transfer, by the restrictions contained in Sections 16.C (Confidential Information) and 16.D (Covenant Not to Compete) of this Agreement; and

(8) you and your transferring Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other Franchised Businesses you own and operate) identify themselves or any business as a current or former Franchised Business or as one of our licensees or franchisees or use any Mark, any colorable imitation thereof or other indicia of a Franchised Business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us.

**D. TRANSFER TO A WHOLLY-OWNED CORPORATION, PARTNERSHIP LIMITED LIABILITY COMPANY**

Notwithstanding Section 14.C (Conditions for Approval of Transfer), if you are an individual and are in full compliance with this Agreement, you may transfer this Agreement to a corporation, partnership or limited liability company which conducts no business other than the Franchised Business and, if applicable, other Franchised Businesses, in which you maintain management control and of which you own and control 100% of the equity and voting power of all issued and outstanding capital stock or ownership interests. Transfers of ownership interests in such corporation, partnership or limited liability company will be subject to the provisions of Section 14.C. Notwithstanding any such transfer, you agree to remain personally liable under this Agreement as if the transfer to such corporation, partnership or limited liability company had not occurred.

**E. YOUR DEATH OR DISABILITY**

Upon the death or permanent disability of you or your Operating Principal, the executor, administrator, conservator, guardian or other personal representative of you or the Operating Principal must transfer this Agreement or such Owner's interest to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability, and will be subject to all of the terms and conditions applicable to transfers contained in this Section 14. During the period between the death or permanent disability and the transfer, the Franchised Business must remain open in accordance with this Agreement. A failure to transfer this Agreement or the ownership interest in you within this period of time shall constitute a breach of this Agreement. For purposes hereof, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or your Operating Principal from managing and operating the Franchised Business for a period of three (3) months from the onset of such disability, impairment or condition in accordance with System Standards.

**F. EFFECT OF CONSENT TO TRANSFER**

Our consent to a transfer of this Agreement and the Franchised Business or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchised Business or transferee or a waiver of any claims we may have against you or your Owners or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

**G. OUR RIGHT OF FIRST REFUSAL**

(1) If you or any of your Owners at any time determine to transfer an interest in this Agreement and the Franchised Business or an ownership interest in you, you (or such Owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and beneficiary of any corporate offeror and all general and limited partners of any partnership offeror) and immediately submit to us a true and complete copy of such offer. We have the right, exercisable by written notice delivered to you or your selling Owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer.

(2) If we exercise our right of first refusal, you and your selling Owner(s) agree that, for a period of two (2) years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in Section 16.D (Covenant Not to Compete).

(3) If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 14.B. (Transfer by Franchisee) and 14.C. (Conditions for Approval of Transfer), provided that, if the sale to such purchaser is not completed within 120 days after delivery of such offer to us, or if there is any change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 120 day period or notice to us of the change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

**H. PUBLIC OFFERING**

In the event Franchisee shall, subject to the restrictions and conditions of transfer contained in this Article, attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee or any affiliates of Franchisee, Franchisee, recognizing that the written information used with respect thereto may reflect upon the Franchisor, agrees to submit any such written information to the Franchisor prior to its inclusion in any registration statement, prospectus or similar Disclosure Document or memorandum and to obtain the written consent of the Franchisor to the method of financing prior to any offering or sale of such securities. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee in an amount not less than Five Thousand Dollars (\$5,000) and not more than Fifty Thousand Dollars (\$50,000) to reimburse

Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. The written consent of the Franchisor pursuant to this Section 14.H shall not imply or constitute the approval of the Franchisor with respect to the method of financing, the offering literature submitted to the Franchisor or any other aspect of the offering. No information respecting the Franchisor or any of its affiliates shall be included in any securities disclosure document, unless such information has been furnished by the Franchisor, in writing, pursuant to the written request of the Franchisee, in which the Franchisee states the specific purpose for which the information is to be used. Should the Franchisor, in its sole discretion, object to any reference to the Franchisor or any of its affiliates or any of their businesses in such offering literature or prospectus such literature or prospectus shall not be used unless and until the objections of the Franchisor are withdrawn. The Franchisor assumes no responsibility for the offering whatsoever.

The prospectus or other literature utilized in any such offering shall contain the following language in bold-face type on the first textual page thereof:

**“NEITHER TEMPUR FRANCHISING US, LLC NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION PRESENTED IN THIS AGREEMENT, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER TEMPUR FRANCHISING US, LLC NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING”**

Franchisee and each of its owners agrees to indemnify, defend and hold harmless the Franchisor and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including, without limitation, reasonable attorneys’ fees) incurred in the defense of such claims, demands or liabilities, arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. The Franchisor shall have the right (but not the obligation) to defend any such claims, demands or liabilities and/or to participate in the defense of any action to which the Franchisor or any of its affiliates or any of their respective officers, directors, employees or agents is named as a party.

## **15. DEFAULT AND TERMINATION**

### **A. BY FRANCHISOR**

We will have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

(1) you fail to maintain any and all licenses or permits required for the Franchised Business or if any such license or permit is suspended or revoked or otherwise not maintained active and in full force and effect;

(2) you fail to select a site and execute a lease for the Franchised Business within ninety (90) days of execution of this Agreement;

(3) you fail to begin operating the Franchised Business within one hundred eighty (180) days after the execution of a lease for your Franchised Business;

(4) you (or your Operating Principal, if you are an Entity) and your Manager (if you appoint one) fails to satisfactorily complete System/Procedure Training as provided in Section 4.B (Satisfactory Completion of Training);

(5) you surrender or transfer control of the Franchised Business without our advance prior written consent;

(6) you abandon or fail to actively operate the Franchised Business unless the Franchised Business has been closed for a purpose we have approved;

(7) you or any of your Owners are convicted of or plead no contest to a felony or are convicted of or plead no contest to any crime or offense that is likely, in our sole discretion, to adversely affect the reputation of the Franchised Business and the goodwill associated with the Marks;

(8) you or any of your Owners make any unauthorized transfer of the Franchised Business or an ownership interest in you or fail to make a required transfer of this Agreement or of an interest in you in connection with a deceased or disabled Owner, as required in Section 16.E. (Your Death or Disability);

(9) you or any of your Owners make any unauthorized use or disclosure of the Confidential Information;

(10) you fail to maintain accurate books and records or make any misrepresentations or material omissions in any communications with us;

(11) you fail to pay any amount due to us or our affiliates under this Agreement and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;

(12) you fail to pay any federal or state income, sales or other taxes arising from the operation of the Franchised Business as required by this Agreement;

(13) you perform targeted marketing or advertising outside of the Protected Area, except as otherwise permitted in this Agreement

(14) you fail to adhere to the Advertising Policies which we prescribe and do not correct such failure within three (3) days after written notice of such failure is delivered to you;

(15) you fail to adhere to the minimum resale prices and do not correct such failure within three (3) days after written notice of such failure is delivered to you;

(16) you fail to comply with any other provision of this Agreement or any System Standard prescribed by us and do not: (a) correct such failure within five (5) days after written notice of such failure to comply is delivered to you if such failure relates to the use of any Mark, the quality of the products offered by the Franchised Business, the quality of service provided to customers or the intentional promotion of products outside the Protected Area without our prior written approval; or (b) correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you for any other failure to comply with System Standards not specified in (a), or (c) provide proof acceptable to us of efforts which are reasonably calculated to correct such failure if such failure cannot reasonably be corrected within the applicable time period after written notice of such failure to comply is delivered to you;

(17) you fail on three (3) or more separate occasions within any period of 12 consecutive months to materially comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to you;

(18) you stock or sell any products which are not specifically approved by us in the Manual or otherwise in writing; or

(19) you make an assignment for the benefit of creditors or an admission of your inability to pay your obligations as they become due or have a petition filed for corporate or partnership dissolution.

## **B. OTHER REMEDIES**

If any events in Section 15.A. (By Franchisor) occur which give us the right to terminate this Agreement, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(1) temporarily or permanently reduce the size of the Protected Area or temporarily or permanently suspend your protected rights within the Protected Area;

(2) temporarily remove information concerning your Franchised Business from the system website and/or stop your or the Franchised Business' participation in any other programs or benefits offered on or through any of our Digital Marketing efforts;

(3) suspend your right to participate in one or more programs or benefits that the Marketing Fund provides;

(4) suspend any other services that we or our affiliate provides to you under this Agreement or any other agreement;

(5) suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(6) suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements;



(7) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement, in which case you will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

(8) enter the Franchised Business' premises and assume the management of the Franchised Business ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Business. All funds from the operation of the Franchised Business while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of the Franchised Business will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a management fee equal to 3% of the Franchised Business' Gross Sales during the period of management, plus any direct out-of-pocket costs and expenses. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Franchised Business incurs, or to any of your creditors for any products or services the Franchised Business purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Franchised Business and may, in our sole discretion, be prohibited from visiting the Franchised Business so as to not interfere with its operations. Our (or our appointee's) management of the Franchised Business will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Franchised Business' operation and periodically discuss the Franchised Business' status with you.

#### **C. DESCRIPTION OF DEFAULT**

The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

#### **D. EXERCISE OF OTHER REMEDIES**

Our exercise of our rights under Section 15.B. (Other Remedies) will not (a) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (b) constitute an actual or constructive termination of this Agreement, or (c) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement (except as set forth in Section 15.B.(8) (our assumption of management)) following our exercise of any of these rights. If we exercise any of our rights under Section 15.B., we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

#### **E. CROSS DEFAULT**

Subject to Section 15.D. above (Exercise of Other Remedies), any default or breach by you of this Agreement, the Lease for Your Location or any other agreement between us or our affiliates

and you will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us or our affiliates and you. If the nature of the default under any other agreement would have permitted us (or our affiliate) to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof.

**F. CONTINUANCE OF BUSINESS RELATIONS**

Any continuance of business relations between you and us after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal, extension or continuation of this Agreement unless you and we agree in writing to any such renewal, extension or continuation.

**G. NOTICE REQUIRED BY LAW**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights to terminate this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by such laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

**H. OUR RIGHT TO SEND NOTIFICATIONS OF TERMINATION**

Before or on the expiration or termination of this Agreement, we may give notice that your Franchised Business is leaving the System and take any other action related to customers, suppliers and all other individuals or entities affected by such expiration or termination or which require or desire an identification of our System locations.

**16. OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT**

**A. PAYMENT OF AMOUNTS OWED TO US**

You agree to pay us within 10 days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to us are determined, such Royalty Fees, Marketing Fees, amounts owed for purchases by you from us or our affiliates, interest due on any of the foregoing and all other amounts owed to us or our affiliates which are then unpaid.

**B. DE-IDENTIFICATION**

You agree that, upon the termination or expiration of this Agreement, you, unless we specify otherwise in writing:

(1) may not directly or indirectly at any time or in any manner (a) identify yourself or any business as a current or former Franchised Business or as a franchisee or licensee

of ours or our affiliates, (b) use any Mark, any colorable imitation thereof or other indicia of a Franchised Business in any manner or for any purpose, or (c) utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us or our affiliates;

(2) must, at our option, either return to us or destroy all materials and supplies identified by the Marks or otherwise identifying or relating to a Franchised Business at your cost and without any reimbursement for any of these items;

(3) must erase, wipe and/or permanently delete or remove all data from any computer systems;

(4) must immediately take all action required (a) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (b) to cancel or transfer to us or our designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Franchised Business or the Marks (collectively, “Identifiers”). You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 16.B.(3), you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer;

(5) if we do not exercise our right to acquire the lease for the retail business, you will make such modifications or alterations to the Franchised Business immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the site from a Franchised Business, including, but not limited to, removing the signs, the Marks, and any trade dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this Section 16.B.(4), we may enter the Franchised Business without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes; and

(6) must furnish us, within 30 days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the foregoing obligations.

### C. CONFIDENTIAL INFORMATION

Upon termination or expiration of this Agreement, you must cease using the Confidential Information and any and all materials associated with a Franchised Business. You must immediately return to us, at your expense, all copies of the Manuals, all of your Customer Information, and all other Confidential Information (and all copies thereof) in your possession or control. You may not use any Confidential Information or sell, trade or otherwise profit in any way from any Confidential Information at any time following the expiration or termination of this Agreement.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under an Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

**D. COVENANT NOT TO COMPETE**

You and your Owners must comply with the non-compete provisions of Section 7.B. (After Termination, Expiration, or Transfer).

**E. CONTINUING OBLIGATIONS**

All obligations of ours and yours which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

**F. FRANCHISOR'S RIGHT TO PURCHASE**

Franchisor shall have the right (but not the duty) to be exercised by notice of intent to do so within ten (10) days after the effective date of Termination, to purchase any or all of the signs, advertising and marketing material, supplies, equipment and any items bearing the Marks at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an independent qualified appraiser shall be designated by each party and their determination shall be binding on both parties. If these appraisers are unable to arrive at a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. If Franchisor elects to exercise any option to purchase under this Agreement, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment therefor.

**17. DISPUTE RESOLUTION**

**A. JURISDICTION AND VENUE**

You and your Owners must file any suit against us or our affiliates, and we or our affiliates may file any suit against you, in federal courts in the United States District Court for the Eastern District of Kentucky or state courts in Lexington, Kentucky or in federal or state courts with jurisdiction over the county in which our principal place of business is located at the time any litigation commences. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

**B. GOVERNING LAW**

This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Kentucky. In the event of any conflict-of-law question, the laws of Kentucky shall prevail, without regard to the application of Kentucky conflict-of-law rules.

**C. WAIVER OF PUNITIVE DAMAGES**

Except with respect to your obligation to indemnify us pursuant to Section 8 (Indemnification) and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any confidential information, we and you and your Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

**D. WAIVER OF JURY TRIAL**

We and you irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

**E. REMEDIES NOT EXCLUSIVE**

Except as provided in Section 17.C. (Waiver of Punitive Damages), no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

**F. OUR RIGHT TO INJUNCTIVE RELIEF**

Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

**G. LIMITATIONS OF CLAIMS**

Except for claims arising from your underreporting of Gross Sales or non-payment or underpayment of amounts you owe us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

**H. ATTORNEYS' FEES AND COSTS**

You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees):  
(a) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners

(whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal legal proceeding); and (b) in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other formal legal proceedings.

## **18. MISCELLANEOUS**

### **A. ENTIRE AGREEMENT**

This Agreement and the documents referred to in this Agreement, including the Manuals, constitute the entire agreement between you and us with respect to the Franchised Business and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the appendices, which are incorporated into this Agreement by this reference. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the Franchise Disclosure Document (including its exhibits and amendments) that we delivered to you or your representative.

### **B. AMENDMENTS AND MODIFICATIONS**

This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies that we adopt and implement may be changed by us from time to time.

### **C. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, and any portion of any of them, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties.

(2) If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

(3) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required hereunder of the termination of this Agreement or of our refusal to enter into a successor franchise agreement, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable.

**D. WAIVER OF OBLIGATIONS**

Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

**E. FORCE MAJEURE**

A party to this Agreement will not be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (a) transportation shortages, inadequate supply of equipment, products, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (b) acts of God; (c) fires, strikes, embargoes, war or riot; or (d) any other similar event or cause. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence.

**F. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US**

You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder.

**G. NO THIRD PARTY BENEFICIARIES**

Except as expressly otherwise provided in this Agreement, no third party shall have the right to claim any of the benefits conferred under this Agreement.

**H. BINDING EFFECT**

This Agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us.

**I. ADDITIONAL OR INCONSISTENT TERMS**

The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

**J. SURVIVAL**

Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or transfer of this Agreement will survive such expiration, termination, or transfer, including, but not limited to, Sections 5 (Marks), 6 (Confidential Information), 8 (Indemnification), and 16 (Obligations Upon Termination or Expiration of the Agreement).

**K. INDEPENDENT CONTRACTOR RELATIONSHIP**

You acknowledge that by executing this Agreement you are agreeing to establish and operate an independent Franchised Business, the success of which depends on, among other things, your individual ability to operate your Franchised Business, attract and retain qualified staff, and otherwise operate all phases of an independent Franchised Business over which you will have substantial control. As an independent business owner, you agree that: (i) the relationship created by this Agreement is not a relationship between principal and agent, or that it is a fiduciary relationship; (ii) you are not our employee and will not earn any wages, nor be eligible for or receive any of the other benefits normally provided to employees, but rather your income will solely be the profits you earn from operating your Franchised Business; (iii) we are not the employer or co-employer of any employee that you hire; (iv) all management, personnel, and training requirements are at your discretion and are your responsibility; (v) you are responsible for ensuring that your Franchised Business operates in accordance with the law of the state, county, city, and town in which you operate; (vi) you alone are permitted to contract with your customers and that you are required to sign all contracts and agreements using your independent business name and you are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation or debt, express or implied, on our behalf; (vii) you must conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of the Franchised Business under a franchise from us and place such other notices of independent ownership on such forms, stationery, advertising, marketing and other materials as we may require from time to time; (viii) your independent business judgment will be used to grow and develop your customer base; (vix) we shall not be liable for damages to any person or property arising directly, or indirectly, out of the operation of your Franchised Business nor liable for any taxes, assessments, fines or penalties levied upon You or Your Franchised Business or arising out of Your Franchised Business.

**L. EXECUTION IN COUNTERPARTS**

This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

**M. CONSTRUCTION**

(1) Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your actions that require our approval.



(2) The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

(3) The words “**include**,” “**including**,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

## **19. NOTICES AND PAYMENTS**

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Manuals will be deemed so delivered (i) at the time delivered by hand; (ii) one business day after transmission by facsimile or e-mail; (iii) one business day after being placed in the hands of a commercial courier service for next business day delivery; or (iv) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Notices to you will be sent to the address set forth on Appendix A. Notices to us must be sent to:

Tempur Franchising US, LLC  
1000 Tempur Way  
Lexington, KY 40511  
Attn: Franchise Development  
E-mail: Franchise.Development@tempursealy.com

Either party may change its mailing address or other contact information by giving notice to the other party. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days prior thereto) will be deemed delinquent.

## **20. ACKNOWLEDGEMENTS AND ENTITIES**

### **A. ACKNOWLEDGMENTS**

(1) You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Franchised Businesses and to protect and preserve the goodwill of the Marks and the System.

(2) You further acknowledge that you have conducted an independent investigation of the Franchised Business contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by Franchised Businesses may evolve and change over time, that an investment in a Franchised Business involves business risks and that the success of a Franchised Business is largely dependent upon the business abilities and efforts of you and your Owners. You also acknowledge and agree that you have investigated the laws applicable to the operation of a Franchised Business, including professional licenses necessary for you to operate a Franchised Business.

(3) We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the Franchised Business venture contemplated by this Agreement. You further acknowledge that you have no knowledge of any representations made about the franchise by us or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. You further represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations in obtaining the franchise. You are solely responsible for identifying and securing customers and business for your Franchised Business.

(4) You have applied for a franchise to own and operate a Franchised Business and understand that we have approved your application in reliance upon all of the representations made in that application and in this Agreement.

(5) No representation or statement has been made by us which has been relied on by you regarding your ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by this Agreement.

(6) You have carefully considered the nature and extent of the restrictions upon you set forth in this Agreement (including the covenants not to compete and the restrictions on assignment) and the rights and remedies conferred upon you and us under this Agreement. Such restrictions, rights and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to us; (c) are fully required to protect our legitimate business interests; and (d) do not confer benefits upon us that are disproportionate to your detriment.

(7) The covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on you, since you have other considerable skills, experience and education which afford you the opportunity to derive income from other endeavors.

## **B. ENTITIES**

If you are now or at any time in the future an Entity, you agree and represent that:

(1) You have or will have the authority to execute, deliver and perform your obligations under this Agreement and are or will be duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents recite or will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(3) Appendix B to this Agreement, as modified from time to time, will completely and accurately describe your Manager and all of your Owners and their interests in you; and

(4) Each Owner will execute an agreement in the form that we prescribe undertaking to be bound jointly and severally by all provisions of this Agreement. You and your Owners agree to execute and deliver to us a revised Appendix B as may be necessary to provide or reflect any changes in the information contained in Appendix B and to furnish such other information about your organization or formation as we may request.

**C. COMPLIANCE WITH ANTI-TERRORISM LAWS**

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of its property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT ACT, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and other requirements of any governmental authority addressing or in any way related to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blacking of you or your owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement as provided in Section 15 above.

**[Remainder of page left blank intentionally. Signature page follows.]**

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the day and year first above written.

**FRANCHISOR**

**TEMPUR FRANCHISING US, LLC**

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**APPENDIX A**  
**FRANCHISEE-SPECIFIC TERMS**

1. **Agreement Date:** \_\_\_\_\_
2. **Franchisee's Name:** \_\_\_\_\_
3. **Franchisee's State of Organization** (*if applicable*): \_\_\_\_\_
4. **Designated Area (Section 3.A.)** \_\_\_\_\_
5. **Your Location (Section 1.A.):** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. **Protected Area (Section 1.B):** \_\_\_\_\_
7. **Initial Franchise Fee (Section 9.A.):** \_\_\_\_\_
8. **Franchisee's Address and Contact Information for Notices (Section 19):** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. **Additional Terms; Inconsistent Terms** (*if any*) (Section 18.F.): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPENDIX B**  
**OWNERS AND MANAGERS**

**This Appendix B is current and complete  
as of \_\_\_\_\_, 20\_\_**

The following list includes the full name and mailing address of each person who is an Owner of Franchisee (as defined in the Franchise Agreement) and fully describes the nature of each Owner's interest.

**Owner's Name and Address**

**Description of Interest**

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**Manager.** The Franchisee's Manager (if any has been appointed) is:  
\_\_\_\_\_.

**Operating Principal.** The Franchisee's Operating Principal if the Franchisee is an Entity is:  
\_\_\_\_\_.

**APPENDIX C**  
**NONDISCLOSURE AND NONCOMPETE AGREEMENT**

This Agreement is dated [DATE]. The parties are [NAME OF FRANCHISEE] (referred to as “we”, “us”, and “our”), , and [NAME OF OFFICER, DIRECTOR, EMPLOYEE, SPOUSE, OR INDEPENDENT CONTRACTOR] (referred to as “you,” “your,” or “Covenantor”) residing at [ADDRESS]. You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us or our owners.

**BACKGROUND**

We are a franchisee of Tempur Franchising US, LLC (“Franchisor”) under a Tempur Franchising US, LLC Franchise Agreement dated [DATE] (the “Franchise Agreement”). We have a license to operate a Tempur-Pedic business (a “Franchised Business”), which uses certain trademarks designated by Franchisor (the “Marks”) and certain policies, procedures, systems, and other Confidential Information developed and owned by Franchisor (the “System”). Franchisor recognizes that, in order for us to effectively operate our business, our officers, directors, employees, and independent contractors whom we retain must have access to certain confidential information and trade secrets owned by Franchisor. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our business, would harm Franchisor, other franchise owners, and us. Accordingly, Franchisor requires us to have you to sign this Agreement.

**AGREEMENT**

**1. Confidential Information.** As used in this Agreement, “Confidential Information” means all manuals, trade secrets, know-how, methods, training materials, information, management procedures, marketing and pricing techniques, and other confidential information relating to the Franchised Business, the System, or Franchisor’s business. In addition, Confidential Information includes, without limitation, all marketing plans, advertising plans, business plans, financial information, customer information, employee information, independent contractor information and other confidential information of Franchisor, Franchisor’s affiliates, or us (collectively, the “Interested Parties”) that you obtain during your association with us.

**2. Nondisclosure.** You agree not to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee or as an independent contractor to us. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest our, Franchisor’s, or Franchisor’s affiliates’ ownership of it. These obligations apply both during and after your association with us.

**3. Return of Confidential Information.** If your association with us ends for any reason, you must return to us all records described in Paragraph 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may

have in your possession or control. You may not retain any Confidential Information after your association with us ends.

**4. Noncompete During Association.** You may not, during your association with us, without our prior written consent:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (i) any other business offering or providing services or products competitive with or similar to the services or products offered or provided by Franchised Businesses or (ii) any business which franchises or licenses others to offer or provide such services or products (collectively, each, a “**Competitive Business**”) at any location anywhere;

(b) divert or attempt to divert any business or customer or potential business or customer of our Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(d) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in our Franchised Business.

**5. Non-Compete After Association Ends.** For two years after your association with us ends for any reason, you may not, without our prior written consent directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business located within or serving customers that are located within (i) the Protected Area or any protected area of another Franchised Business, (ii) a 50-mile radius from the borders of the Protected Area, or (iii) a 50-mile radius from any Tempur-Pedic franchise operated by Franchisor or its affiliates.

**6. Remedies.** If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.

**7. Acknowledgements.** You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Agreement are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; (iv) you possess skills and abilities of a general nature and have other opportunities for exploiting such skill, such that enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants.

**8. Severability.** If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.



**9. Independent Agreement.** The Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

**10. Third Party Right of Enforcement.** You are signing this Agreement not only for our benefit, but also for the benefit of Franchisor and Franchisor's affiliates. We, Franchisor, and Franchisor's affiliates have the right to enforce this Agreement directly against you.

**11. Not an Employment Agreement.** This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or understanding by us, express or implied, to continue your association with us for any specified period.

**12. Modification and Waiver.** Your obligations under this Agreement cannot be waived or modified except in writing.

**13. Governing Law.** This Agreement is governed by the laws of the state in which our principal office is located.

**14. Attorney's Fees.** If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorneys' fees, to the extent that we prevail on the merits.

**15. Representation.** You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

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WITNESS

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COVENANTOR

**EXHIBIT A**  
**PROTECTED AREA**

The “Protected Area” is:

**APPENDIX D**  
**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated the same day as this guaranty and assumption of obligations (the “**Agreement**”) by Tempur Franchising US, LLC (“**Franchisor**”), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ (“**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Sections 6 and 7 and Section 16.D.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by an extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this guaranty.

If Franchisor is required to enforce this guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

Guarantor agrees to be personally bound by the dispute resolution obligations under Section 17 of the Agreement.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

**GUARANTORS:**

---

[Signature]

---

[Print Name]

---

[Signature]

---

[Print Name]

---

[Signature]

---

[Print Name]

**APPENDIX E**  
**CONDITIONAL LEASE ASSIGNMENT PROVISIONS**

The provisions referred to in Section 3.C. of the attached Franchise Agreement are as follows:

(i) The “Franchise Agreement” shall be defined in the lease as the franchise agreement dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between the Lessee and Tempur Franchising US, LLC (the “Franchisor”).

(ii) The premises being leased hereunder shall be used solely for the operation of an “Tempur-Pedic” retail store.

(iii) Lessor has examined Franchisor’s standard design concepts and specifications and consents to Lessee’s use of same and of the Marks and such signage as the Franchisor may prescribe for the Franchised Business.

(iv) Lessee may not assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor’s prior written consent.

(v) Lessor shall furnish Franchisor a copy of the executed lease, including all attachments thereto and related agreements, if any, within five (5) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor’s prior written approval.

(vi) Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed that if the Franchise Agreement expires or is terminated for any reason whatsoever, the Lessee’s rights hereunder shall, at the option of the Franchisor, be transferred and assigned to it. Said option may be exercised by the Franchisor giving the Lessor notice in writing within thirty (30) days following the expiration or termination of the said Franchise Agreement, such notice to specify, inter alia, the date of such expiration or termination. The Lessee acknowledges and agrees that the Lessor may rely upon such notice and shall not be required to inquire into the due execution thereof or the accuracy of the statements set forth in such notice. It is further agreed that such notice shall, without further act or formality, operate as an effective assignment of the Lessee’s right hereunder to the Franchisor and the assumption by the Franchisor of the covenants under the Lease required to be observed or performed by the Lessee. The Franchisor shall thereafter have the right to assign or sublet the Premises to such person as it may designate, provided that in such event that this clause be contained therein. Notwithstanding the foregoing, the Franchisor shall, forthwith upon exercise of such option, execute such documents evidencing its agreement to thereafter keep and perform or cause to be kept or performed all of the obligations of the Lessee arising under this Lease from and after the time of the exercise of such option.

(vii) In the event Franchisor elects not to exercise the above option, Lessor shall permit Franchisor to enter the premises in order to make any modification necessary to protect the Marks.

(viii) The Lessor shall give written notice to the Franchisor (concurrently with the giving of such notice to the Lessee) of any default by the Lessee under the Lease and the Franchisor shall have, after the expiration of the period during which the Lessee may cure such default, an additional fifteen (15) days to cure, at its sole option, any such default, providing that if such default arises by reason of the bankruptcy or insolvency of the Lessee or the appointment of a receiver over the Lessee's assets or part thereof, the Franchisor shall have the right to assume this Lease upon payment of any arrears of rental to such date. In the event of any such assumption, the Lessee shall cease to have any further rights hereunder. For the purposes of this section all notices shall be sent to the Franchisor at the following address:

Tempur Franchising US, LLC  
1000 Tempur Way  
Lexington, KY 40511  
Attn: Franchise Development  
E-mail: Franchise.Development@tempursealy.com

Franchisor may change its mailing address or other contact information by giving notice to the Landlord and Lessee.

(ix) The Lessor acknowledges that the said Franchise Agreement contains a right on the part of the Franchisor, in the event of expiration or termination of the said Franchise Agreement for any reason whatsoever, to enter the premises hereby demised and to operate the store for the account of the Lessee for a period as set forth in the said Franchise Agreement. The Lessor further acknowledges that such entry by the Franchisor shall not constitute an assignment of this Lease, nor a subletting of the premises hereby demised.

(x) The Lessor acknowledges that the Franchisor is executing this Lease solely for the purpose of acknowledging the provisions contained in the foregoing clauses (i) to (iv) and agrees that such execution by the Franchisor shall in no way be construed so as to obligate the Franchisor for the performance of any of the terms, conditions, obligations and covenants contained in this Lease, except as specifically set forth in clause (i).

The foregoing provisions shall be incorporated into Franchisee's lease agreement.

**APPENDIX F**  
**SAMPLE LETTER OF CREDIT LANGUAGE**

DATE-  
L/C NO.: XXXXXX

ADVISING BANK:  
[BANK NAME]  
[BANK ADDRESS]  
[BANK CITY/STATE/ZIP]

TO:  
[BENEFICIARY NAME]  
[BENEFICIARY ADDRESS]  
[BENEFICIARY CITY/STATE/ZIP]

APPLICANT:  
[APPLICANT NAME]  
[APPLICANT ADDRESS]  
[APPLICANT CITY/STATE/ZIP]

WE HAVE ESTABLISHED OUR IRREVOCABLE STANDBY LETTER OF CREDIT IN YOUR FAVOR AS DETAILED HEREIN SUBJECT TO ISP98

DOCUMENTARY CREDIT NUMBER: XXXXXX

DATE OF ISSUE: -VALUE DATE-

BENEFICIARY: [BENEFICIARY NAME]  
[BENEFICIARY ADDRESS]  
[BENEFICIARY CITY/STATE/ZIP]

APPLICANT: [APPLICANT NAME]  
[APPLICANT ADDRESS]  
[APPLICANT CITY/STATE/ZIP]

DATE AND PLACE OF EXPIRY: \_\_\_\_\_  
[ISSUING BANK'S COUNTERS]

DOCUMENTARY CREDIT AMOUNT USD

AVAILABLE WITH: [ISSUING BANK'S NAME]  
BY PAYMENT

ADDITIONAL DETAILS:]

FUNDS UNDER THIS CREDIT ARE AVAILABLE AT SIGHT WITH [ISSUING BANK'S NAME] UPON PRESENTATION OF THE FOLLOWING:

BENEFICIARY'S SIGNED AND DATED STATEMENT READING AS FOLLOWS:

“DUE TO [DESCRIPTION OF DEFAULT], WE HEREBY DEMAND THE AMOUNT OF USD \_\_\_\_\_ UNDER [ISSUING BANK'S NAME] LETTER OF CREDIT NUMBER XXXXXX.”

WE ENGAGE WITH YOU THAT DOCUMENTS PRESENTED UNDER AND IN CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS CREDIT WILL BE DULY HONORED ON PRESENTATION IF PRESENTED ON OR BEFORE THE EXPIRATION AT OUR COUNTERS AT [ISSUING BANK'S ADDRESS], ATTN: STANDBY LETTER OF CREDIT UNIT. THE ORIGINAL LETTER OF CREDIT MUST ACCOMPANY THE DOCUMENTS REQUIRED UNDER THIS CREDIT FOR ENDORSEMENT.

THIS LETTER OF CREDIT MAY BE CANCELLED PRIOR TO EXPIRATION PROVIDED THE ORIGINAL LETTER OF CREDIT (AND AMENDMENTS, IF ANY) ARE RETURNED TO [ISSUING BANK'S NAME], AT OUR ADDRESS AS INDICATED HEREIN, WITH A STATEMENT SIGNED BY THE BENEFICIARY STATING THAT THE ATTACHED LETTER OF CREDIT IS NO LONGER REQUIRED AND IS BEING RETURNED TO THE ISSUING BANK FOR CANCELLATION.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES, INTERNATIONAL CHAMBER OF COMMERCE - PUBLICATION NO. 590 (“ISP98”).

**BANK TO BANK INFORMATION:**

1. PLEASE ADVISE WITHOUT ADDING YOUR CONFIRMATION
2. THIS LETTER OF CREDIT COVERS **[DESCRIPTION OF OBLIGATION OR GOODS OR SERVICES COVERED BY THE LETTER OF CREDIT.]**
3. DOCUMENTS ARE TO BE FORWARDED IN ONE LOT TO OUR OFFICE AT [--- ADDRESS ---].



**STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT**

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”); dated \_\_\_\_\_, 20\_\_ (“Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“Amendment”):

**CALIFORNIA LAW MODIFICATIONS**

1. The California Department of Financial Protection and Innovations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with the law, the law will control.
- b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The Agreement requires application of the laws of Kentucky. This provision may not be enforceable under California law.
- e. Corporations Code 31512 provides that: “Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

2. Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Financial Protection and Innovation has required financial assurances. We will defer your obligation to pay all initial fees required by the Agreement until we have performed our pre-opening obligations and

the franchise is open for business. Therefore, notwithstanding anything to the contrary in the Agreement, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial fees until we have completed our pre-opening obligations to you and the franchise is open for business. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the initial fees as set forth Section 9 of the Agreement.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (the “Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (“Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“Amendment”):

**ILLINOIS LAW MODIFICATIONS**

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq.* To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois law governs the Franchise Agreement.
- b. 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, arbitration may take place outside of Illinois.
- c. Franchisees’ rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- d. 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.

2. Payment of the initial franchise fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced business operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

4. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §§ 14-201 *et seq.* (2015 Repl. Vol. ) (the “Law”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.
- b. Any acknowledgments or representations of the Franchisee made in the agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Law.
- c. A Franchisee may bring a lawsuit in Maryland for claims arising under the Law.
- d. The limitation on the period of time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a Franchisee for bringing a claim arising under the Law. Any claims arising under the Law must be brought within 3 years after the grant of the franchise.

2. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and other payments for goods and services received from the franchisor before the business opens, shall be deferred until the franchisor completes all of its pre-opening obligations under the franchise agreement

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the

inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.~~No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.~~

[Remainder of page intentionally left blank]



IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**MINNESOTA LAW MODIFICATIONS**

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 *et seq.*, and the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement/and or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s proprietary marks infringes trademark rights of the third party.
- b. Minn. Stat. Sec. 80C.14, Subds. 3, 4., and 5 requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.
- d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.
- e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat § 80C.17, Subd. 5. may not be enforceable under Minnesota.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the franchise disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. To the extent required by Minnesota law, the Agreement/and or disclosure document is amended to delete all references to a waiver of jury trial.

4. All sections of the Agreement/and or Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain.

5. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment on \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**NEW YORK LAW MODIFICATIONS**

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**NORTH DAKOTA LAW MODIFICATIONS**

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.
- d. If the Agreement requires that it be governed by the law of a state, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.
- e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

- f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.
- g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.
- h. Any provision that provides that the Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota Law.
- i. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota Law may not be enforceable under North Dakota Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[Remainder of page intentionally left blank]



IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. §§ 19-28.1-1 to 19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.
- c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE COMMONWEALTH OF VIRGINIA**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

VIRGINIA LAW MODIFICATIONS

1. Section 9, of the Agreement is hereby supplemented by the following:

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

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the State Corporation Commission under the Virginia Retail Franchising Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO TEMPUR FRANCHISING US, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The Tempur Franchising US, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “you”) and Tempur Franchising US, LLC (“Franchisor” or “us”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**WASHINGTON LAW MODIFICATIONS**

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- b. RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- d. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
- e. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

2. Section 9 of the Agreement is amended by adding the following:

In the state of Washington, the collection of the initial franchise fees described in Section 9 are deferred until we have fulfilled our pre-opening obligations and your Tempur-Pedic® retail outlet business is open for business

3. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

4. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

5. The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

6. 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, including, Sections 20.A.(3) and 20.A.(5) of the Agreement.

7. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

8. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

Tempur Franchising US, LLC,  
a Delaware limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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



**EXHIBIT D**

**OPERATION MANUAL SECTION AND PAGE COUNT**

## OPERATION MANUAL SECTION AND PAGE COUNT

### Section

<b>Cover Letter and Table of Contents .....</b>	<b>4</b>
<b>Section 1 – Introduction.....</b>	<b>6</b>
1.1 – Proprietary and Confidential Information	
1.2 – The Operating Manual	
1.3 – Company History	
1.4 – Contact Information - Franchise Department	
1.5 – Contact Information - Other Departments	
<b>Section 2 – Timetable for Opening the Franchised Business.....</b>	<b>2</b>
<b>Section 3 – Pre-opening Obligations and Procedures.....</b>	<b>5</b>
3.1 – Location and Facility requirements	
3.2 – Design and construction specifications	
3.3 – Signage	
<b>Section 4 – Customer Service.....</b>	<b>8</b>
4.1 – Customer Service Guidelines	
4.2 – Customer Information & Client Cards	
4.3 – Communication to the Public	
4.4 – Contact Information - Customer Service Call Center	
4.5 – Service Animals	
<b>Section 5 – Organization of the Store.....</b>	<b>10</b>
5.1 – Sales Counter Organization Guidelines	
5.2 – Stockroom Guidelines	
5.2.1 – Manager’s Work Area	
5.2.2 – File Management (Paper & Electronic)	
5.2.3 – Records Retention (Paper & Electronic)	
5.2.4 – Bulletin Boards and Postings	
5.2.5 – Merchandise Back Stock	
5.2.6 – Organization of Supplies	
<b>Section 6 – Store Operating Standards.....</b>	<b>126</b>
6.1 – Sales Floor Management	
6.2 – The TEMPUR Experience	
6.3 – Opening the Store	
6.4 – Closing the Store	
6.5 – Franchisee Extranet	
<b>Section 7 – Sales Transaction.....</b>	<b>38</b>
7.1 – Purchase Guidelines	
7.1.1 – Cash and Check Acceptance	
7.1.2 – Credit and Debit Card Acceptance	

- 7.1.3 – Price Adjustments
- 7.2 – Returns and Exchanges
  - 7.2.1 – Comfort Returns and Comfort Exchanges
  - 7.2.2 – Returns - Items purchased at the store (Cash & Carry)
  - 7.2.3 – Returns - Items purchased at the store (Shipped)
  - 7.2.4 – Exchanges - Items purchased at the store (Cash & Carry)
  - 7.2.5 – Exchanges - Items purchased at the store (Shipped)
  - 7.2.6 – Warranty Returns
- 7.3 – Gift Cards
- 7.4 – Merchandise Delivery Holds
- 7.5 – Financing
  - 7.5.1 – Wells Fargo Financing Program
- 7.6 – Sales Taxes
- 7.7 – Voids and No Sales
- 7.8 – Manual Transactions
- 7.9 – Customer Delivery
- Section 8 – Merchandise Control.....10**
  - 8.1 – Pricing and Promotions
  - 8.2 – Ordering Merchandise
  - 8.3 – Receiving Merchandise
  - 8.4 – Physical Inventory Guidelines
  - 8.5 – Merchandising and Marketing Art
- Section 9 – Loss Prevention and Safety.....22**
  - 9.1 – Loss Prevention Guidelines
  - 9.2 – Store Security
    - 9.2.1 – Bag, Coat & Trash Checks
    - 9.2.2 – Lockers
    - 9.2.3 – Doors, Locks & Keys
    - 9.2.4 – Alarm System
  - 9.3 – Asset Protection
    - 9.3.1 – Emergency Store Closings and Failure to Open
    - 9.3.2 – Shoplifting
    - 9.3.3 – Customer Fraud
  - 9.4 – Safety
    - 9.4.1 – Store Safety Guidelines
    - 9.4.2 – Emergency Situations
- Section 10 – Supplies & Maintenance.....10**
  - 10.1 – Supplies and Maintenance Guidelines
  - 10.2 – Ordering Supplies

10.3 – Petty Cash Transactions

10.4 – Cleaning of Protective Bed Covers

10.5 – Equipment Maintenance (Non-IT/POS)

10.6 – POS Equipment and Maintenance

**Section 11 – Forms .....17**

    Alarm Call List

    Client Card

    Closing Checklist

    Credit Request for Damaged or Defective Merchandise

    Daily Goal and Coverage Sheet

    Daily Planner

    Emergency Contact List

    Locker Combination Log

    Manual Sales Invoice

    Opening Checklist

    Petty Cash Log

    Sales and Banking Sheet

    Sales Tax Exempt Form

    Store Schedule

    Void and No Sale Log

**Section 12 – Equipment and Computer System.....4**

    12.1 – Computer Specifications

    12.2 – Approved vendors and suppliers

**Section 13 – Protection of Trademarks and Trade Secrets.....3**

**Section 14 – Accounting and Reporting to Franchisor.....2**

**Section 15 – Insurance Requirements.....2**

**Section 16 – Miscellaneous.....2**

    16.1 – Participation in Franchisee Advisory Councils

**EXHIBIT E**  
**SAMPLE PRODUCT SUPPLY AGREEMENT**

Tempur-Pedic North America, LLC, a Delaware limited liability company with offices located at 1000 Tempur Way, Lexington, KY 40511 (“Supplier”) and \_\_\_\_\_, a \_\_\_\_\_ with offices located at \_\_\_\_\_ (“Franchisee”) agree as follows:

1. **Defined Terms.** Each of the capitalized terms used in this Franchisee Product Supply Agreement (“Agreement”) will have the meanings ascribed to them in this Agreement or in the Franchise Agreement entered into between the Parties on \_\_\_\_\_. Supplier and Franchisee are referred to collectively as the “Parties”, or individually as a “Party”.
2. **Integrated Agreements.** This Agreement is an integral part of the Franchise Agreement and as such a failure of one is a failure of the other. The Default provisions of the Franchise Agreement are equally applicable to this Agreement.
3. **Term.** The Initial Term for this Agreement begins on the effective date of the Franchise Agreement entered into between the Parties as of \_\_\_\_\_ (“Effective Date”) and continues in full force and effect for the Term of the Franchise Agreement or until this Agreement or the Franchise Agreement are otherwise terminated. Nothing in this Section will otherwise affect the parties’ termination rights in Section 13 of this Agreement.
4. **Application.** The terms and conditions in this Agreement apply to every purchase, sale, shipment and delivery of Products and Pricing from Supplier to Franchisee, unless otherwise agreed in writing by Franchisee and Supplier.
5. **Products.** Supplier will sell the Tempur line of mattresses, foundations, adjustable bases and other sleep and relaxation products (“Products”) to Franchisee according to the current wholesale price schedule.
6. **Restricted Product – Exclusive Uses.** Products are sold to Franchisee solely for resale to end use consumers in accordance with the terms of the Franchise Agreement. Products may not be used for any other purpose, sold on a wholesale basis or resold or supplied to any other party.
7. **Order Process.** Franchisee will submit Orders via EDI, including Product SKU’s, requested quantities and requested ship date for delivery to the consumer. In the event EDI is offline or unavailable, Franchisee may submit Orders via email, however, Orders submitted via email will require an additional business day for manual order processing.
8. **Order Confirmation.** Supplier will provide an Order Confirmation for each Order. Supplier will transmit the Order Confirmation within 1 business day (not including Friday, Saturday, Sunday or holiday) of receipt of the applicable Order. Such Order Confirmation will contain the Product(s), quantity and Confirmed Shipment Date. If Supplier cannot respond with a

Confirmed Shipment Date within the time period specified in the Order, Supplier will so notify Franchisee.

9. **Changes to Orders.** Supplier will not make any changes to any Order, including Product, item number or quantity, unless Franchisee has requested the change in writing or has otherwise approved the change in writing. Supplier will provide Franchisee with a new Confirmed Shipment Date for the Order if necessary.
10. **Deliveries.** Products purchased from Supplier will be shipped F.O.B. Destination to the consumer through the Suppliers delivery service. Supplier will bill delivery charges to Franchisee's account with the Product charges.
11. **Acceptance and Inspection of Orders; Shortages and Discrepancies.** Franchisee will notify Supplier of any shortage of Product or other failure to meet the quantity or models of Products ordered pursuant to any Order within 10 business days after delivery of Products. Any Product claims or warranty claims will be managed by the Supplier directly with the end user consumer.
12. **Taxes.** Franchisee will be liable for and collect and pay all Taxes due on the sale of the Product, if any. Each Party maintains responsibility for its own employment, income, property and similar taxes.
13. **Invoices; Payment Terms; Disputed Charges.** Supplier will invoice Franchisee for each shipment of Products. Franchisee will pay Supplier all undisputed amounts invoiced by Supplier within 10 days following Franchisee's receipt of each invoice. If Franchisee disputes the accuracy or applicability of a charge, Franchisee will pay the undisputed portion of the invoice and will immediately notify Supplier of such disputed amount. Franchisee and Supplier will investigate and resolve the dispute promptly.
14. **Product Warranty.** The only product warranties applicable to Supplier® products are those written, limited warranties issued by Supplier to consumers, as may be revised from time to time. Except for its express limited obligations under those written warranties, Supplier assumes no other obligation or liability for any representations or warranties made by Franchisee in connection with the sale of any Supplier® product by Franchisee. Franchisee is not authorized to make any warranty beyond or in addition to the terms of Supplier's written warranties. Franchisee will deliver a copy of Supplier's applicable written warranty to each purchaser of a Supplier® product at the time of delivery. ANY AND ALL IMPLIED WARRANTIES, INCLUDING WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY AND/OR FITNESS FOR PARTICULAR PURPOSE ARE HEREBY EXPRESSLY DISCLAIMED.
15. **Warranty.** Supplier represents, covenant and warrant that the Products, with respect to any Order, will (a) conform to all applicable law; and (b) be delivered free from any security interest or other claim, lien or encumbrance of any kind whatsoever against them. Supplier additionally represents, covenants and warrants that: (i) Supplier is duly organized and validly existing under the laws of the jurisdiction of its formation and is authorized to do business in any other jurisdiction as required in order to provide the Services; (ii) Supplier is and will remain financially capable of performing the Related Services and providing the Products

under this Agreement; (iii) Supplier has all requisite power, authority, insurance, bonds, permits and licenses to execute and deliver the Products pursuant to any Order and any other document, agreement, certificate or instrument necessary to consummate the transactions and perform its obligations hereunder or any Order; (iv) Supplier's performance of its obligations hereunder or pursuant to any Order will not result in a violation or default of any governing document applicable to Supplier; and (v) Supplier has, without time limitation, good title to each Product supplied under the Agreement, free and clear from any encumbrance or rightful claim of any third party.

**16. Limitation of Liability.**

16.1. Nothing in this Agreement will exclude or limit either Party's liability for death or personal injury caused by its gross negligence, fraud, or fraudulent misrepresentation, or any other liability that cannot be excluded or limited by law.

16.2. Without limiting the liability under Section 15.1, neither Party will be liable to the other for any consequential damages including, but not limited to, indirect, incidental, special, exemplary, punitive, or damages and injury that result from a Party's negligent performance of or other breach of the Agreement for: (a) lost profits; and (b) compensation for damages to reputation and goodwill including costs of or resulting from delays, financing, marketing materials and media time and space, and costs of changing, substituting or replacing the same, and each Party will be entitled to recover direct or general damages, whether arising in contract, tort, or any other legal theory, without limitation.

**17. Gratuities and Gifts.** The Parties will not make or offer a gratuity or gift of any kind to either Parties' employees or their families that could be viewed as relating to an actual or potential business relationship with either Party. Gifts include entertainment, personal services, favors, discounts, and other preferential treatment of any kind. Either Party will interpret any such action as an improper attempt to influence its employees, which will jeopardize the Parties' relationship. For the avoidance of doubt, gifts do not include samples of Products in reasonable quantities provided by Supplier in furtherance of the Agreement, including the terms and conditions in this Agreement.

**18. Cross-Default.** A default by the Franchisee under any other agreement between the parties related to the Tempur Sealy International, Inc. family of brands will be deemed a default under this Agreement. Franchisee's rights granted under this Agreement are personal to Franchisee and may not be assigned without the consent of Supplier in its sole discretion. Supplier may assign this Agreement at any time without prior notice. Franchisee is not an agent or partner of Supplier and agrees not to hold itself out as such. Although Supplier may, on occasion, refer to Franchisees in the spirit of cooperation as its "retail partners," Franchisee acknowledges it has no legal partnership, trust or fiduciary relationship with Supplier. Notwithstanding any other provisions of this Agreement or the Franchise Agreement, if Supplier determines in its sole discretion that Franchisee is not in compliance with this Agreement or the Franchise Agreement, upon notice Supplier may suspend shipments without any liability until Franchisee achieves compliance.

## 19. **Termination.**

19.1. **Default.** If Franchisee fails to pay any undisputed amount due to Supplier pursuant to an invoice delivered to Franchisee, or otherwise fails to comply with any other provisions of this Agreement, then Supplier will provide notice to Franchisee of such default. If Franchisee fails to cure its default within 10 days following Franchisee's receipt of such notice from Supplier, then Supplier will have the right to terminate the Agreement upon notice to Franchisee.

19.2. . **Force Majeure Event.** Force Majeure Event means an act of nature, strike, fire, flood, war, civil unrest, embargo, Cybersecurity Incident, or any other cause which is beyond the reasonable control of either Party, and materially and adversely prohibits the applicable Party from performing under the terms and conditions in this Agreement and any Order. Neither Party will be held responsible for failure to perform its obligations under the Agreement including the terms and conditions in this Agreement or any Order due to a Force Majeure Event to the extent and for the length of time that performance is rendered impossible or commercially impractical; provided, however, upon the occurrence of a Force Majeure Event, the Party that is unable to perform its obligations hereunder will promptly notify the other Party in writing of the existence, nature, and expected duration of the Force Majeure Event and use all reasonable efforts to overcome the effects of the Force Majeure Event and resume performance as soon as reasonably practicable. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence. If the Force Majeure Event continues beyond 30 days, Supplier may cancel the Agreement.

## 20. **Dispute Resolution.**

20.1. **Negotiation.** Before submitting any claim, controversy or dispute arising out of this Agreement to litigation or other legal proceedings (except actions seeking extraordinary relief, *i.e.*, specific performance or an injunction), the complaining Party will provide written notice to the other of the claim, controversy or dispute, and each will, as promptly as practical, appoint one or more senior executives with authority to settle such claim, controversy or dispute who will meet with each other in good faith for the purpose of resolving the claim, controversy or dispute.

20.2. **Mediation.** Except for actions seeking extraordinary relief (*i.e.*, specific performance or an injunction), if the Parties are unable to resolve any claim, controversy or dispute by Negotiation within 30 days of a Party providing written notice of the claim, controversy or dispute, then either Party may deliver to the other Party written notice of its intention to commence mediation in accordance with this Section, which it must do before commencing proceedings with respect to the claim, controversy or dispute. The Parties will endeavor to settle the claim, controversy or dispute by mediation by first jointly selecting an independent and neutral third party to be the mediator. If the Parties fail to select the mediator within 15 days following delivery of the written notice of intention to commence proceedings with respect to a claim, controversy or dispute, a mediator will be selected by the American Arbitration Association from its approved panel of mediators.



The mediation will be conducted within 30 days of the selection of the mediator in the Lexington, Kentucky metropolitan area or such other location expressly agreed to by the Parties. Franchisee and Supplier will be responsible for their respective attorneys' fees and costs and share equally the fees and costs of the selected mediator. If the claim, controversy or dispute is not resolved by Mediation in accordance with this Section within 60 days following the selection of a mediator in accordance with the foregoing, either Franchisee or Supplier may elect to pursue available remedies with respect to the claim, controversy or dispute in accordance with this Agreement.

**20.3. Injunctive or Provisional Relief or Enforcement.** Notwithstanding the above, either Party may elect to apply to any court of competent jurisdiction to seek interim or provisional injunctive, equitable or other extraordinary relief or its equivalent with respect to any matters contemplated by this Agreement.

**20.4. Governing Law and Venue.** The laws of Kentucky (without giving effect to any conflict of laws) will govern the Parties' relationship and the interpretation and enforcement of this Agreement. Franchisee and Supplier acknowledge and agree that the activities contemplated under this Agreement occur in Lexington, Kentucky. With respect to all suits, actions or other legal proceedings under this Agreement, each of the Parties submits to the exclusive jurisdiction of the U.S. District Court for the Eastern District of Kentucky and the courts of Fayette County, Kentucky. Franchisee and Supplier each agrees that such courts are a reasonable venue and waives and agrees not to assert by way of motion, defense or otherwise, any claims that it is not subject to the jurisdiction of such courts, that such suit is brought in an inconvenient forum or that the venue of the suit is improper.

**20.5. Limitation of Actions.** Any claims between the Parties must be commenced within two years from the date on which the Party asserting the claim knew or should have known of the facts giving rise to the claim, or such claim will be barred.

**20.6. JURY TRIAL WAIVER. ANY LEGAL ACTION IN CONNECTION WITH THIS AGREEMENT WILL BE TRIED TO THE COURT SITTING WITHOUT A JURY, AND ALL PARTIES IRREVOCABLY WAIVE ANY RIGHT TO HAVE ANY ACTION TRIED BY JURY.**

**20.7. Confidentiality of Negotiation.** Except as necessary to obtain interim or provisional relief, neither party nor the mediator(s) may disclose the existence, content, or results of any settlement negotiations or mediation hereunder without the prior written consent of both parties.

**21. Entire Agreement; Amendments.** The Agreement and all Schedules attached to the Agreement, including, without limitation, the terms and conditions in this Agreement, and any Orders submitted by Franchisee pursuant thereto represent the entire agreement between the Parties regarding the Products and Pricing and supersede all prior discussions, agreements and understandings of every kind between the Parties. No modification of the Terms and Conditions in this Agreement will be effective unless in writing and signed by Supplier and Franchisee.

22. **Notices and Correspondence.** Except as otherwise provided in this Agreement, all notices, requests, consents, and approvals under the Agreement will be in writing and will be deemed to have been properly given if and when personally delivered or 3 business days after being sent certified mail, postage prepaid, return receipt requested, or 1 business day after being sent by Federal Express or other overnight courier service providing delivery confirmation, to the address of the Party as set forth below or at such other address as any of the Parties hereto from time to time may have designated by written notice to the other Party.

**Notice Address:**

Sealy Mattress Co. of N.J. Inc.

Tempur-Pedic North America, LLC

Attn: General Counsel

Attn: General Counsel

697 River Street

1000 Tempur Way

Paterson, NJ 07524

Lexington, KY 40511

23. **Severability.** If any one or more of the provisions contained in this Agreement are deemed illegal or unenforceable, such provision: (a) will be construed in a manner to enable it to be enforced to the extent permitted by applicable law; and (b) will not affect the validity and enforceability of any legal and enforceable provision hereof.

24. **Assignment.** Neither Party may assign its respective rights and interest in the Agreement to any third party, without the other Party's consent.

25. **Survival.** All terms which by their nature survive any termination or expiration of this Agreement will survive any termination or expiration of this Agreement, including, without limitation: Section 11 (Warranty); Section 12 (Supplier's Intellectual Property); Section 16 (Confidential Information); and Section 39 (Dispute Resolution).

26. **Independent Contractor.** Supplier is an independent contractor and not an employee, partner or agent of Franchisee. Neither Party will have authority to commit or create any liability on the part of the other in any manner whatsoever. Personnel retained or assigned by Supplier to perform work under this Agreement will at all times be considered employees, agents or contractors of Supplier, and at no time employees, agents or partners of Franchisee or its Affiliates.

27. **Third Party Beneficiaries.** This Agreement is solely for the benefit of the Parties hereto and will not confer upon third parties any remedy, claims, actions, or other right.

28. **Waivers.** The failure of either Party at any time to require performance by the other Party of any of the provisions herein will not operate as a waiver of the right of a Party to require strict performance of the same or like provisions, or any other provisions hereof, at a later time.

29. **Relationship of the Parties.** The relationship between Franchisee and Supplier is that of an independent contractor. Supplier represents and warrants that it has not and will not hold itself out as, nor will Supplier be deemed to be, an agent of Franchisee.

- 30. **Inconsistency**. In the case of any inconsistency or conflict between this Agreement and any Order submitted to Supplier, this Agreement will prevail over such Order and will govern the sales and deliveries of Products covered by such Order. In the case of any inconsistency or conflict between this Agreement and the terms and conditions in this Agreement and any other Schedule, this Agreement and the terms and conditions in this Agreement will prevail over any other Schedule.
- 31. **Other Forms**. This Agreement, the terms and conditions in this Agreement and Schedules supersede and prevail over any and all terms of any Orders and other forms, and all prior oral or written communications between Franchisee and Supplier. Neither Franchisee nor Supplier are entering into this Agreement in reliance upon any oral or written promises, representations or understandings other than those contained in this Agreement.
- 32. **Amendments**. This Agreement cannot be amended or modified except by a written instrument signed by the Parties.
- 33. **Counterparts**. This Agreement may be executed in one or more counterparts, including counterparts transmitted electronically via email, each of which will be deemed an original, and all counterparts together will constitute one and the same instrument.

**IN WITNESS WHEREOF**, Franchisee and Supplier have caused this Agreement to be executed by their duly authorized representatives, as of the Effective Date.

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**SUPPLIER:**

Tempur-Pedic North America, LLC

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

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

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

**EXHIBIT F**  
**FRANCHISE PROJECT MANAGEMENT AGREEMENT**

## PROJECT MANAGEMENT AGREEMENT

**THIS PROJECT MANAGEMENT AGREEMENT** (the "Agreement") is made as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between JONES LANG LASALLE AMERICAS, INC., a Maryland corporation ("JLL"), and \_\_\_\_\_, a \_\_\_\_\_ ("Client").

### WITNESSETH:

**WHEREAS**, Client wishes to retain JLL to provide project management services on the following terms and conditions with respect to the project described in Exhibit A attached hereto (the "Project"); and

**WHEREAS**, JLL wishes to provide such services on the following terms and conditions.

**NOW THEREFORE**, in consideration of the payment hereinafter specified to be made by Client, and in consideration of the agreements and mutual covenants of the parties herein contained, the parties hereto hereby agree as follows:

### SECTION I. SCOPE OF SERVICES

1.1 Basic Services. On the terms and conditions set forth herein, JLL shall perform the project management services described in Exhibit B ("Services") with respect to the Project. JLL shall use good faith efforts to perform the Services in accordance with the schedule set forth in Exhibit A. The execution by Client and JLL of this Agreement shall constitute JLL's authority to proceed in providing the Services with respect to the Project.

1.2 Additional Service Providers. Client and JLL acknowledge and agree that Client may require the services of architects, space planners, engineers, general contractors, interior decorators and /or other consultants and contractors in connection with the Project ("Additional Service Providers"). JLL shall cooperate with and coordinate such Additional Service Providers in order to achieve Client's objectives for the Project. At the request of Client, JLL shall advise Client with respect to the use of Additional Service Providers; but it is expressly agreed and understood that JLL shall not be responsible for the engagement of any Additional Service Providers, and all Additional Service Providers shall be engaged directly by Client and shall be compensated by Client. Client acknowledges and agrees that JLL's obligation under this Agreement is to use commercially reasonable efforts to cause the Project to be completed in accordance with plans, budgets and schedules approved by Client, but that JLL shall not be deemed to have given any guaranty or warranty that any of the foregoing can be accomplished and shall not be liable for the errors, omissions or breaches of contract by any other party providing goods or services to the Project, including the Additional Services Providers. JLL, however, shall promptly notify Client when it reasonably anticipates that the Project cannot be constructed in accordance with the plans, budgets and schedules approved by Client.

### SECTION 2. JLL'S DUTIES AND STATUS

2.1 Service Standards. JLL shall perform the Services with care, skill, and diligence, in accordance with the standards applicable generally to professionals performing similar services on projects of similar size and complexity and in the same geographic location as the Project. JLL agrees to use good faith efforts to expedite the performance of all services and obligations required under this Agreement and any

other agreements entered into by Client which are managed or administered by JLL so that the Project is completed within the time schedule set forth on Exhibit A attached hereto.

2.2 Independent Contractor. Except as set forth below, JLL shall assume all duties under this Agreement as an independent contractor; and in no event shall this be considered an agreement of employment, partnership or agency. JLL shall comply with all laws and all legal requirements of any governmental bodies having jurisdiction over JLL with respect to the Services to be performed hereunder. JLL shall be solely responsible for all wages and benefits owed to its employees, and Client shall have no obligation with respect thereto.

2.3 Project Manager. JLL shall assign a Project Manager, and additional personnel if necessary, to perform the Services for the Project. The Project Manager shall provide and coordinate all Services through completion of the Project. The initial Project Manager is set forth in Exhibit A; provided, however, JLL may replace the Project Manager at any time if the Project Manager is unable for any reason to perform such duties upon prior notice to the Client. Client may have a Project Manager replaced for any lawful reason upon prior notice to JLL and discussion between the parties regarding the decision to remove and potential impact to the Project.

2.4 Force Majeure. JLL's obligations hereunder shall be suspended to the extent and for so long as the performance of such obligations are prevented or hindered in whole or in part by reason of strikes, acts of God, epidemic, pandemic, federal, state, county, or municipal laws, rules, orders, or regulations, or for any other cause which are beyond the reasonable control of JLL. When such a suspension occurs, JLL shall inform Client; and JLL shall resume the performance of its obligations hereunder as soon as is reasonably practicable.

### SECTION 3. COMPENSATION

3.1 JLL's Fee. JLL shall be paid a fee for performing Services (the "Project Fee") for the Project in accordance with Exhibit C attached hereto. The Project Fee shall be earned and payable in monthly installments according to the terms set forth in Exhibit C.

3.2 Expenses. In addition to the Project Fee, Client shall reimburse JLL for any out-of-pocket expenses incurred by JLL in connection with the Project as further detailed in Exhibit C.

3.3 Terms of Payment. JLL shall issue invoices to Client, in reasonable detail, the Project Fee. Payment shall be 50% prior to the start of design and 50% prior to the start of construction and the reimbursable expenses as incurred. Such fees and expenses shall be due and payable by Client to JLL within thirty (30) days of receipt by Client of JLL's invoice. In no event the design work shall not commence until the first payment has been paid in full and construction shall not commence until the construction payment (the second payment) has been paid in full, at which time JLL will issue the Notice to Proceed to the general contractor. Delinquent payments hereunder shall earn interest from the date due until paid at the lessor of: (i) the rate of one percent (1%) per month or (ii) the maximum rate permitted by law.

3.4 Adjustments to Project Fee. If the scope of the Project increases or decreases beyond that contemplated in Exhibit A or B or should the completion of the Project be delayed through no fault of JLL or should a change be made in the Project which does not increase the scope or duration of the Project but which requires an increase or decrease in JLL's personnel committed to the Project, then the Project Fee will be adjusted as is reasonably agreed between the parties in writing.

3.5 Adjustment in Services. If either party determines that any services not included in the Services described in Exhibit B are required in connection with the Project or that certain Services included in Exhibit B will not be necessary (“Adjusted Services”), such party shall give prompt notice to the other party. If Client desires JLL to agree to an adjustment in the Services and JLL agrees, the parties shall enter into a modification to this Agreement in the form of Exhibit D which shall provide for performance by JLL of the Adjusted Services and any adjustment in the Project Fee as a result thereof. In no event shall JLL be required to perform any Adjusted Services and in no event shall the Project Fee be adjusted in connection with Adjusted Services unless the parties have agreed in writing to such Adjusted Services and any adjustment in the Project Fee.

#### SECTION 4. INDEMNIFICATION

4.1 JLL’s Indemnity. JLL shall indemnify, defend (with counsel reasonably acceptable to Client) and hold harmless Client, its subsidiaries and affiliates and the employees, partners, officers, directors, members, shareholders and agents of each from and against any and all losses, liabilities, costs and expenses, including reasonable attorney’s fees and court costs, arising out of claims by third parties and sustained or incurred by or asserted against Client by reasons of or arising out of JLL’s gross negligence, intentional misconduct or fraud in connection with this Agreement, the Project or the Services.

4.2 Client’s Indemnity. Client shall indemnify, defend (with counsel reasonably acceptable to JLL), and hold harmless JLL, its subsidiaries and affiliates and the employees, partners, officers, directors, members, shareholders and agents of each from and against any and all losses, liabilities, costs and expenses including, reasonable attorney’s fees and court costs, arising out of claims by third parties and sustained or incurred by or asserted against JLL in connection with this Agreement, the Project or the Services, except to the extent such claims arise out of JLL’s gross negligence, intentional misconduct or fraud.

#### SECTION 5. INSURANCE

5.1 JLL’s Insurance. JLL shall carry the following insurance, at its own expense:

(i) Workers’ compensation insurance, to the extent of the statutory limits required by applicable law, and employer’s liability insurance in the amount of \$1,000,000, which insurance shall contain a waiver of subrogation against Client, its parent and subsidiaries.

(ii) Commercial General Liability Insurance (Primary and Umbrella/Excess) with limits of Ten Million Dollars (\$10,000,000) per occurrence/annual aggregate for bodily injury, personal injury and property damage. Coverages must include the following: blanket contractual liability, products and completed operations, independent contractors and severability of interest. Client shall be named as an additional insured under such insurance.

(iii) Professional liability (errors and omissions) insurance in the amount of \$2,000,000. Such insurance coverage shall be on a claims made basis and shall remain in force for the term of this Agreement and for two (2) years following expiration or termination of this Agreement.

The foregoing policies are collectively referred to as “JLL’s Policies.” JLL’s Policies must be maintained with companies having an A.M. Best’s rating of A- VII or better. JLL shall provide Client with certificates of insurance evidencing JLL’s Policies within ten (10) days of the execution of this Agreement. All certificates shall also indicate that the insurer will endeavor to give Client at least thirty

(30) days' prior written notice in the event of cancellation or non-renewal of the applicable insurance coverage provided a valid email address is provided for receipt of such notice.

5.2 Client's Insurance. Client shall carry the following insurance, at its own expense:

(i) All-risk property insurance, covering the full replacement cost of the property at which the Project is performed.

(ii) For Project work, Client will provide (or will cause its general contractor to provide) at its expense builders risk insurance for construction that covers special risk perils including earthquake, flood, fire, and theft of materials stored at or within 1,000 feet of the Project site. Loss of JLL's tools and equipment are not covered by such insurance, and Client shall have no liability for their loss.

(iii) Commercial general liability insurance, in limits of not less than \$10,000,000 combined single limit for bodily injury and property damage, including contractual liability coverage.

The foregoing policies are collectively referred to herein as the "Client's Policies." JLL shall be named as an additional insured under Client's Commercial General Liability Insurance in its capacity as project manager of the Project. Client's Commercial General Liability policy shall be primary and any commercial general liability insurance policy carried by JLL shall be non-contributory thereto with respect to any claims arising under Client's indemnification obligation set forth in Section 4.2 or the condition of the real property which is the site of the Project. Client shall furnish to JLL a certificate of insurance evidencing such coverage within ten (10) days of the execution of this Agreement. Companies with which the insurance is placed shall have received an A.M. Best's rating of A- VII or better. The insurance certificate shall provide that the insurer will endeavor to give JLL not less than thirty (30) days written notice prior to policy cancellation or non-renewal of the applicable insurance.

5.3 Mutual Waiver. All property damage insurance policies required hereunder shall contain appropriate clauses pursuant to which the respective insurance carriers shall waive all rights of subrogation with respect to losses payable under such policies; and each party waives any claims against the other party for any damage to its property.

## SECTION 6.

### TERMINATION

6.1 Right to Terminate. Client may terminate this Agreement at any time upon thirty (30) days prior notice to JLL, and either party may terminate this Agreement immediately in the event of a material default hereunder by the other party if such default has not been cured within ten (10) days after written notice to the other party.

6.2 Payment upon Termination. If this Agreement is terminated, JLL shall receive the portion of the Project Fee earned to the date of termination in accordance with the payment schedule set forth in Exhibit C. JLL shall also receive payment for reimbursable expenses and other reasonable costs incurred due to termination. In addition, unless such termination is due to JLL's default hereunder, Client shall also pay JLL a termination fee equal to \_\_\_\_\_. JLL shall receive payment of all such fees and expenses within thirty (30) days following the termination of this Agreement.



**SECTION 7. NOTICES**

7.1 Address for Notices. The addresses of Client and JLL for service of any notices and reports hereunder shall be respectively as follows:

Client:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

JLL:

Jones Lang LaSalle Americas, Inc.  
200 E. Randolph Drive  
Chicago, IL 60601  
Attention: Todd Burns

with a copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

with a copy to:

Jones Lang LaSalle Americas, Inc.  
200 E. Randolph Drive  
Chicago, IL 60601  
Attention: General Counsel - Americas

7.2 Delivery of Notices. Any notice required or permitted to be given hereunder shall be hand delivered, sent by nationally recognized delivery service, or sent by registered mail, return receipt requested, to Client or JLL at its respective address shown above. Any such notice shall be deemed to have been received by the party to whom it is addressed on the date and at the time it is so delivered.

**SECTION 8. MISCELLANEOUS**

8.1 Confidentiality. Except as may be required by any governmental entity having jurisdiction over JLL and except as may be necessary to perform its services hereunder, JLL shall not disclose to any third party any confidential information that Client makes available to JLL. JLL agrees to limit access to such information to those employees reasonably requiring such access for purposes of providing the Services and shall require that its employees maintain the confidentiality of such information in accordance with the terms hereof.

8.2 Complete Agreement; Amendments. This Agreement and all Exhibits attached hereto, which are incorporated herein by this reference, contain the entire agreement between Client and JLL and supersedes and replaces all previous agreements, whether written or oral, with respect to the subject matter of this Agreement. This Agreement may not be changed, modified, amended, or discharged, except by an agreement in writing.

8.3 Advertising. Client agrees that JLL may not include any Client name, information, trademarks, logos or other IP in any of its advertising or promotional materials.

8.4 Non-Solicitation of Employees. Client agrees not to, directly or indirectly, hire or engage, or arrange for or attempt to arrange for or persuade any other person to hire or engage, any employee of JLL involved in the Project while such employee is employed by JLL and for a period of one year after the termination of such person's employment by JLL, including without limitation, engaging such JLL employee or former employee as an independent contractor or as an employee of any person other than JLL or any affiliate of JLL. In addition to all other remedies available to JLL for breach of this provision, because the parties acknowledge the difficulty of calculating actual damages for breach of this

provision, Client agrees to pay JLL, as liquidated damages and not as a penalty, the sum of \$10,000 for each employee hired directly or indirectly by Client in violation of this Subsection.

8.5 Applicable Law. This Agreement shall be construed under and interpreted in accordance with the internal laws of the State of Illinois.

8.6 Survival. The provisions of Sections 3.3, 4, 5, 6.2, 7, and 8 of this Agreement shall survive the expiration or termination of this Agreement.

8.7 Successors and Assigns. Neither party may assign its rights or obligations hereunder except to an affiliate or to any entity which acquires all or substantially all of the assets and business of either party. Except as set forth in the immediately preceding sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

8.8 Limitation on Liability. Notwithstanding anything else contained herein to the contrary, each party shall look solely to the assets of the other party for satisfaction of any liabilities or obligations relating to this engagement, and no officer, director, employee, partner, affiliate, shareholder or agent of either party shall be personally responsible for any such liabilities or obligations. In addition, each party waives any claims for, punitive, consequential, or speculative damages, including, without limitation, lost revenue or profit, even if a party has knowledge of the possibility of such damages; and, except for JLL's liability to third parties for bodily injury, death or property damage, in no event shall JLL's liability to Client with respect to the Project exceed an amount equal to the lesser of annual fees paid or One Million Dollars.

8.9 WAIVER OF JURY TRIAL. JLL AND CLIENT SPECIFICALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY COURT WITH RESPECT TO ANY CONTRACTUAL, TORTIOUS OR STATUTORY CLAIM, COUNTERCLAIM OR CROSS-CLAIM AGAINST THE OTHER ARISING OUT OF OR CONNECTED IN ANY WAY TO THE SERVICES, PROJECT OR THIS AGREEMENT BECAUSE THE PARTIES HERETO, BOTH OF WHOM ARE REPRESENTED BY COUNSEL, BELIEVE THAT THE COMPLEX COMMERCIAL AND PROFESSIONAL ASPECTS OF THEIR DEALINGS WITH ONE ANOTHER MAKE A JURY DETERMINATION NEITHER DESIRABLE NOR APPROPRIATE.

8.10 Dispute Resolution. JLL and Client agree to cooperate in resolving any claim, controversy, or dispute ("Dispute" or "Disputes") that may arise out of or relate to the Agreement, the breach thereof, or the Services. JLL and Client agree that the Services will not be stopped or slowed in any way during the pendency of any Dispute; provided that, all monies owed for Services not in dispute are timely paid pursuant to this Agreement. In the event of a Dispute the parties shall attempt in good faith to resolve the Dispute promptly by negotiations, as follows. Any party may give the other party written notice of any Dispute not resolved in the normal course of business. The parties agree to have the dispute escalated to the parties' respective senior manager responsible for this Agreement and to have such individuals meet at a mutually acceptable time and place within ten (10) days after delivery of such notice and thereafter as often as reasonably necessary to attempt to resolve the Dispute. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of all rules of evidence. If the matter is not resolved within thirty (30) days from the initial written notice of the Dispute, or if no meeting takes place within fifteen (15) days after such initial notice, either party may initiate mediation as provided herein.

All Disputes that cannot be resolved by the parties initially shall be submitted to mediation before the American Arbitration Association ("AAA") in New York, New York. Submission to mediation is a precondition to arbitration. If the Dispute is not resolved by the earlier of thirty (30) days after the last mediation session or ninety (90) days after the mediation demand, either party may initiate

arbitration as follows. All Disputes not resolved by mediation may be decided by confidential, binding arbitration in New York, New York. Notice of demand for arbitration must be filed in writing with the other party to this Agreement and with the AAA. The demand must be made within a reasonable time after the Dispute has arisen. In no event shall the demand for arbitration be made if institution of legal or equitable proceedings based on such Dispute would be barred by the applicable statute of limitations. The Arbitrator shall have authority to order specific performance including, without limitation, interim injunctive relief prior to the Dispute being resolved. The Arbitrator shall have the authority to decide all issues concerning the Dispute. The Arbitrator is not empowered to award damages in excess of compensatory damages, such as punitive damages. Notwithstanding anything to the contrary, the term "Arbitrator" as used herein shall consist of one (1) arbitrator, regardless of the size of the claim or counterclaim. An arbitrator eligible to hear the Dispute shall have at least five (5) years of experience as an arbitrator with the AAA and/or another neutral organization and be familiar with construction industry practices. The award of the Arbitrator shall be enforceable in any court of competent jurisdiction, and each party consents and submits to the jurisdiction of such court for purposes of such action. Costs for mediation shall be allocated equally amongst the parties and the costs of arbitration shall be paid by the prevailing party, who shall be determined by the Arbitrator.

8.11 Rules of Interpretation. The headings set forth herein are for the convenience of the parties only and shall not be used to interpret the meaning of this Agreement. Each party agrees that it has been represented by counsel and has participated in the negotiation of this Agreement, and this Agreement shall not be construed against either party on the theory that such party drafted this Agreement. In the event any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected thereby.

8.12 COVID-19. Client and JLL acknowledge that at the time of signing this Agreement, an international pandemic exists in various parts of the world, including the U.S. The parties are signing this Agreement in good faith, upon the shared belief that the pandemic will not prohibit or prevent the Services from being performed as scheduled. If the pandemic continues and/or worsens, the parties agree to negotiate in good faith to amend the terms of this Agreement with respect to the scope and timing of the Services. In the event an amendment cannot be agreed upon, Client and JLL agree that the pandemic is a Force Majeure event, which will entitle either party to suspend performance of the Services and/or terminate any further Services under this Agreement. In such case, JLL shall be entitled to payment of its fee and reimbursement of its reasonable out of pocket expenses from Client in connection with the Services provided up to the date of suspension or termination. In no event shall the existence of a pandemic at the time this Agreement is signed deprive either party of the ability to declare the pandemic a Force Majeure event.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

**CLIENT**

**JLL**

Jones Lang LaSalle Americas, Inc.

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**Exhibit A**  
**Project Description**

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1.0 **PROJECT DESCRIPTION:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2.0 **LOCATION:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3.0 **ESTIMATED RSF:** \_\_\_\_\_

4.0 **ESTIMATED PROJECT SCHEDULE:**

The parties expect the Project will commence on \_\_\_\_\_ and be completed by \_\_\_\_\_ (the "Estimated Project Schedule").

5.0 **PROJECT MANAGER**

The Project Manager for the Project shall be \_\_\_\_\_, or such other individual as designated by JLL from time to time and approved by Client.

## Exhibit B

### Scope of Services – Project Management

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#### **Program Management Phase: Projects Oversight**

Services include planning the management of multiple projects and control of those projects once underway.

'Baseline Activities' include activities and deliverables that are delivered as standard practice during the management of each project. 'Optional Services' may require the negotiation of Additional Fees, as appropriate, in a specific project authorization.

---

#### **Activities**

##### Baseline Activities:

- Provide project management services in support of the leased properties portfolio, according to each specific project's work authorization.
  - Provide a project management system and web-based box storage for all files and associated reports and analytical tools which provides current data, in addition to periodic reporting requirements.
  - Prepare draft of Field Manual specific to Client's established goals and processes.
  - Provide an organizational chart based upon the intended program staffing plan.
  - As agreed with Client, dependent on Client's need, provide the following reporting:
    - Roll-up summary reporting of program status, showing progress against budget and schedule targets;
    - Risk management and mitigation reporting;
    - Financial reporting, including project anticipated cost reports, problem invoice logs, cost-savings reports, reimbursables management.
  - Lead various team meetings to accomplish leadership updates and directives, all-hands communications and coordination of administrative functions.
-

## **Exhibit B**

### **Scope of Services – Project Management**

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#### **Project Phase I: Initiate**

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##### **Activities**

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###### **Baseline Activities:**

- Outline project goals in terms of scope, budget, schedule, risks, assumptions, success metrics.
- 

#### **Project Phase II: Plan**

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##### **Activities**

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###### **Project Goals:**

- Provide Client with the project goals in terms of scope, budget, schedule, risk
  - Prepare/update project budget, seeking and obtaining Client's approval.
  - Prepare/update project schedule, seeking and obtaining Client's approval.
  - Conduct informal discussions with governmental agencies in order to understand approval process for building permits.
  - Provide the Project Close Checklist to the Client.
  -
- 

###### **Consultant Team:**

- Provide the pre-approved Consultant Team. Consultants may include:
    - Architect/Engineering/Interior Design Consultants
    - Telecom / IT Consultant
    - General Contract
    - Millwork Vendor
    - Flooring Vendor
    - Signage Vendor
    - Security Vendor/Consultant
  - Facilitate process to obtain executed consultant contracts on behalf of Client.
-

## **Exhibit B**

### **Scope of Services – Project Management**

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#### **Project Phase III: Design**

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##### **Activities**

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###### **Design Management:**

- Conduct regular coordination meetings with consultants; prepare and/or review meeting minutes as required.
- Conduct regular status meeting with Client.
- Facilitate refinement of project design as necessary.
- Coordinate design reviews with Client..
- When requested, monitor design team contracts for compliance with schedule and budget requirements.
- Monitor the design team through all design phases (schematic design, design development, construction documents) to help assure compliance with Client's programmatic goals and objectives.
- Seek and obtain Client's approval of design documents for space design and schematic drawings.
- .
- Coordinate reviews with local, state and federal agencies and assist the architect, engineer, construction manager in securing all necessary permits and required public agency approvals.
- As appropriate and approved by Client, assist in initiating actions to expedite the permit process to meet extremely tight timeframes. Seek Client's approval when associated extra costs are recommended.
- Recommend to Client for approval the early purchase of long lead items as required to meet project schedule requirements.
- Review preliminary and final design documents to surface any potential concerns relating to construction or space utilization inefficiencies.

---

###### **Contractor Selection:**

- Facilitate process to obtain executed contractor contracts on behalf
-



## **Exhibit B**

### **Scope of Services – Project Management**

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of Client and assist Client in review of warranty, bonding, insurance, and similar contract provisions. .

- Review the safety programs developed by the Contractor solely and exclusively for purposes of observation of program initiation and administration. Responsibility shall not extend to direct control over the Contractor, Subcontractors or any other persons performing portions of the work.
- Coordinate the evaluation of proposed substitutions.
- Coordinate retention of independent material and field testing agencies, as requested.

---

#### **FF&E:**

- Facilitate process to obtain executed consultant contracts and assist Client and its counsel in review of warranty, bonding, insurance, and similar contract provisions, if requested.
- Coordinate delivery schedules into overall project schedule.
- Coordinate delivery, storage, installation and punch list.

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### **Project Phase IV: Construct**

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#### **Activities**

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##### **Construction Administration:**

- Coordinate the activities of separate contractors.
  - Monitor and coordinate architect/engineer responses to contractor inquiries.
  - Monitor delivery and review of shop drawing and submittals.
  - Monitor contractor performance as to cost and schedule.
  - Attend job site meetings as necessary with contractor and consultants; prepare and/or review meeting minutes as required.
  - Visit off-site fabrication facilities as requested.
  - Prepare periodic reports addressing project progress and issues.
  - Assist Client to monitor and confirm project team provides proof of compliance (e.g. certificates of insurance) with insurance
-

## Exhibit B

### Scope of Services – Project Management

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requirements in the contract.

- Monitor tasks assigned to project team members during project meetings and advise the Client on prioritization of critical issues that need resolution.
- Perform regular job observations to evaluate construction progress, adherence to project plans and schedule, and assist in resolving field problems and disputes in the most economical and expeditious manner possible.
- Provide an initial review of vendor and contractor applications for payment, validating, to the best of the project manager's knowledge, actual project progress against the approved schedule of values. Assist Client in the final review of the invoice package. Certification of the applications for payment does not represent 1) exhaustive or continuous on-site inspections, 2) review of contractor means/methods, 3) validation of subcontractor and material supplier requisitions for payment or 4) validation of Contractor use of previous payments.
- Maintain and organize (or cause to be maintained and organized) complete project logs (including change orders, RFIs, bulletins, drawings etc.), progress photos, files and other documentation.
- Evaluate, negotiate and make recommendations regarding proposed construction change directives and change orders. Ensure all additional project costs are approved by Client prior to incurring an expenditure.
- Monitor corrective and recovery measures, as required.
- Coordinate Client equipping and move-in with construction activities.
- Assist contractor to coordinate required inspections and permits.
- Periodically check that the contractor is executing the contractor's Quality Control program. Ensure Quality Control procedures adhere to the plans approved by Client. Coordinate owner-furnished third-party tests or inspections, if requested.

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#### **Project Phase V: Close**

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#### **Activities**

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##### Baseline Activities:

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## **Exhibit B**

### **Scope of Services – Project Management**

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- **Oversee preparation of and progress against construction punch list.**
  - **Organize and deliver to Client close-out documents (as-built drawings, warranties, O&M manuals, etc.).**
  - **Assist Client to obtain and validate, with respect to progress and budget, the final payment application.**
  - **Coordinate and confirm delivery of keys, manuals, plans and specifications, attic stock, etc.**
  - **Coordinate product and equipment demonstrations and training.**
  - **Monitor initial start-up and testing of all systems and obtain confirmation of compliance with specifications.**
  - **Monitor Client's commissioning processes and verify that all sign-offs are obtained and data archived in accordance with commissioning requirements.**
  - **Deliver completed Project Close Checklist to Client, seeking Client's approval.**
- 

### **OUT OF SCOPE**

**For the avoidance of doubt, Client acknowledges and agrees JLL has no responsibility and will bear no liability to Client for:**

- **the construction means, methods, techniques, sequences and procedures employed by the contractors in the performance of their contract. Each contractor will be solely responsible for, and have control over, all construction means, methods, techniques, sequences and procedures in the performance of their contract;**
- **the design services. Each design consultant will be liable for all errors and omissions (if any) in their design;**
- **the fitness for purpose of any of the goods or services provided hereunder; and**
- **any of the vendors who (i) become insolvent; (ii) have a receiving order or administration order made against it or compound with its creditors; (iii) commence winding up procedures for the purposes of reconstruction or amalgamation; or (iv) carries on its business under an administrator or administrative receiver for the benefit of its creditors or any of them.**
- **Anything that is not specifically defined within this agreement.**

## **Exhibit C**

### **Project Management Fees**

---

#### **Fee Schedule**

#### **Reimbursable Expenses**

In addition to the project fee, reimbursable expenses will be billed at actual cost, and will include, but are not limited to, the following expenses: reproduction of drawings, messenger service, overnight delivery, long-distance telephone charges, cellular expenses, facsimiles, local and out-of-town travel, lodging, parking, meals if required to stay overnight from time to time, and the cost of renting vehicles, including insurance.

JLL will take actions to insure that reimbursable expenses are managed appropriately by using approved travel system and discount schedules, JLL will prepare a proposed reimbursable expense summary specific to project request, geographic location, project duration and proposed staffing for Client's review and approval prior to commencing any services in support of the request. In addition, whenever feasible, JLL will utilize project management professionals that are local to the specific project site.

**Exhibit D**  
**Adjusted Services Amendment**

---

This Amendment is entered into as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between JONES LANG LASALLE AMERICAS, INC., a Maryland corporation ("JLL"), and \_\_\_\_\_, a \_\_\_\_\_ ("Client").

WITNESSETH:

WHEREAS, Client and JLL entered into a Project Management Agreement (the "Agreement"), dated as of \_\_\_\_\_, 20\_\_\_, pursuant to which JLL agreed to provide certain project management services with respect to \_\_\_\_\_ (the "Project"); and

WHEREAS, Client desires to have JLL provide certain other services or not perform certain Services with respect to the Project which JLL is willing to do on the following terms and conditions.

NOW THEREFORE, in consideration of the payment hereinafter specified to be made by Client, and in consideration of the agreements and mutual covenants of the parties herein contained, the parties hereto hereby agree as follows:

1. JLL agrees to provide the adjusted services (the "Adjusted Services") described below:
  
2. Client agrees to pay JLL the compensation set forth below:

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

CLIENT

JLL

Jones Lang LaSalle Americas, Inc.

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT G-1**  
**LIST OF FRANCHISEES**

None.

**EXHIBIT G-2**  
**LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM  
IN THE LAST FISCAL YEAR**

None.

**EXHIBIT H**  
**FINANCIAL STATEMENTS**





Ernst & Young LLP  
Suite 1200  
400 W. Market Street  
Louisville, KY 40202

Tel: +1 502 585 1400  
Fax: +1 502 584 4221  
ey.com

March 21, 2023

Mr. Bhaskar Rao  
Chief Financial Officer  
Tempur Sealy International, Inc.  
1000 Tempur Way  
Lexington, KY 40511

Dear Mr. Rao:

Enclosed is a manually signed copy of our acknowledgment on the inclusion of our report dated March 21, 2023, also included, on the financial statements of Tempur Franchising US, LLC as of December 31, 2022 and 2021 and the three years in the period ended December 31, 2022 in the Company's Franchise Disclosure Document. Please retain this letter and the enclosures in your files as evidence of our authorization to include our report in your Franchise Disclosure Document to be filed with various state agencies on March 21, 2023.

If you have any questions regarding the form or use of this acknowledgment, please call me.

Very truly yours,

A handwritten signature in black ink that reads 'Adam Hack' in a cursive style.

Adam Hack  
Partner

Enclosures: 2022 Acknowledgment for Franchise Disclosure Document  
2022 Financial Statement Opinion



Ernst & Young LLP  
Suite 1200  
400 W. Market Street  
Louisville, KY 40202

Tel: +1 502 585 1400  
Fax: +1 502 584 4221  
ey.com

### **Independent Auditor's Inclusion Letter**

We agree to the inclusion in the Tempur Franchising US, LLC franchise disclosure document dated March 21, 2023 of our report dated March 21, 2023, with respect to the financial statements of Tempur Franchising US, LLC as of December 31, 2022 and 2021 and the three years in the period ended December 31, 2022.

*Ernst & Young LLP*

Louisville, Kentucky  
March 21, 2023



Ernst & Young LLP  
Suite 1200  
400 W. Market Street  
Louisville, KY 40202

Tel: +1 502 585 1400  
Fax: +1 502 584 4221  
ey.com

## **Report of Independent Auditors**

The Board of Directors  
Tempur Franchising US, LLC

### **Opinion**

We have audited the financial statements of Tempur Franchising US, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of comprehensive loss, changes in member's equity (deficit), and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tempur Franchising US, LLC at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with the accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 of 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 the Company'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 the Company'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.

*Ernst + Young LLP*

March 21, 2023

FINANCIAL STATEMENTS

Tempur Franchising US, LLC  
As of December 31, 2022 and 2021 and the  
Years Ended December 31, 2022, 2021, and 2020  
With Report of Independent Auditors

Ernst & Young LLP



# Tempur Franchising US, LLC

## Financial Statements

As of December 31, 2022 and 2021 and the  
Years Ended December 31, 2022, 2021, and 2020

### Contents

Report of Independent Auditors .....	1
Financial Statements	
Balance Sheets .....	3
Statements of Comprehensive Loss .....	4
Statements of Changes in Member's Equity (Deficit) .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7



Ernst & Young LLP  
Suite 1200  
400 West Market Street  
Louisville, KY 40202

Tel: +1 502 585 1400  
ey.com

## Report of Independent Auditors

The Board of Directors  
Tempur Franchising US, LLC

### Opinion

We have audited the financial statements of Tempur Franchising US, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of comprehensive loss, changes in member's equity (deficit), and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tempur Franchising US, LLC at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with the accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 of 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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.
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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

*Ernst & Young LLP*

March 21, 2023



# Tempur Franchising US, LLC

## Balance Sheets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 102,537	\$ 774,536
Advances to related party	<b>278,296</b>	–
Total current assets	<b>380,833</b>	774,536
 Property and equipment, net	 –	 554,974
Total assets	<b>\$ 380,833</b>	<b>\$ 1,329,510</b>
 <b>Liabilities and member's equity</b>		
Current liabilities:		
Related party payables	\$ –	\$ 239,078
Accrued liabilities	<b>70,685</b>	63,471
Total current liabilities	<b>70,685</b>	302,549
 Member's equity	 <b>310,148</b>	 1,026,961
Total liabilities and member's equity	<b>\$ 380,833</b>	<b>\$ 1,329,510</b>

*See accompanying notes.*

Tempur Franchising US, LLC

Statements of Comprehensive Loss

	<b>Year Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net sales	\$ —	\$ —	\$ —
Cost of sales	—	—	—
Gross profit	—	—	—
General and administrative expenses	<b>719,814</b>	857,905	966,742
Total operating expense	<b>719,814</b>	857,905	966,742
Operating loss	<b>(719,814)</b>	(857,905)	(966,742)
Other income, net:			
Interest income, net	<b>(3,001)</b>	(387)	(2,109)
Total other income	<b>(3,001)</b>	(387)	(2,109)
Net loss	<b>\$ (716,813)</b>	\$ (857,518)	\$ (964,633)
Comprehensive loss	<b>\$ (716,813)</b>	\$ (857,518)	\$ (964,633)

*See accompanying notes.*

## Tempur Franchising US, LLC

### Statements of Changes in Member's Equity (Deficit)

	<b>Total Member's Equity (Deficit)</b>
Member's (deficit) at December 31, 2019	\$ (247,961)
Conversion of related party payable	3,097,073
Net loss	<u>(964,633)</u>
Member's equity at December 31, 2020	1,884,479
Net loss	<u>(857,518)</u>
Member's equity at December 31, 2021	1,026,961
Net loss	<u>(716,813)</u>
Member's equity at December 31, 2022	<u><u>\$ 310,148</u></u>

*See accompanying notes.*

# Tempur Franchising US, LLC

## Statements of Cash Flows

	<b>Year Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>			
Net loss	\$ (716,813)	\$ (857,518)	\$ (964,633)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Deprecation expense	554,974	665,970	665,969
Change in assets and liabilities:			
Prepays and other current assets	–	–	59,360
Advances to related party	(278,296)	–	–
Related party payables	(239,078)	195,319	230,586
Accrued liabilities	7,214	(3,384)	10,827
Net cash (used in) provided by operating activities	<u>(671,999)</u>	387	2,109
Net (decrease) increase in cash and cash equivalents	(671,999)	387	2,109
Cash and cash equivalents, beginning of year	774,536	774,149	772,040
Cash and cash equivalents, end of year	<u>\$ 102,537</u>	<u>\$ 774,536</u>	<u>\$ 774,149</u>

*See accompanying notes.*

# Tempur Franchising US, LLC

## Notes to Financial Statements

Years Ended December 31, 2022, 2021 and 2020

### **1. Organization**

Tempur Franchising US, LLC (the Company), a wholly-owned franchising subsidiary of Tempur World, LLC (the Parent), who in turn is a wholly-owned subsidiary of Tempur Sealy International, Inc. (the Ultimate Parent), was incorporated in the state of Delaware on December 5, 2017. The Company was initially capitalized by its Parent, the single member, with \$750,000 in cash. The Company's planned principal operations is to license certain intellectual property to third parties to open and operate Tempur-Pedic® franchise retail stores in the United States.

### **2. Significant Accounting Policies**

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid, temporary cash investments having original maturity dates of three months or less. The carrying amount reported in the Balance Sheets for these instruments approximates fair value, which is calculated using Level 1 inputs, which are based upon unadjusted quoted prices for identical assets or liabilities in active markets.

#### **Property and Equipment**

Property and equipment are recorded at historical cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The estimated useful life of assets, which are limited to computer equipment and software, is three years.

# Tempur Franchising US, LLC

## Notes to Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

#### Income Taxes

As the Company is a single-member limited liability company and disregarded as a separate entity from its parent company for U.S. income tax purposes and thus not subject to income tax, the Company does not recognize an allocation of consolidated income tax expense in these separate financial statements.

As such, any income or loss for the Company is recorded on the Ultimate Parent's consolidated income tax return and no income tax provision (benefit) has been allocated.

#### Fair Value

The Company is required to determine the fair value of financial assets and liabilities based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. Fair value is a market-based measurement, not an entity specific measurement. The fair value of certain assets and liabilities approximates carrying value because of the short-term nature of the accounts, including cash and cash equivalents and related party receivables and payables.

### 3. Related Party Transactions

Tempur-Pedic Management, LLC (TPMLLC), a separate wholly-owned subsidiary of the Ultimate Parent, pays general and administrative expenses on behalf of the Company during the normal course of business. During the years ended December 31, 2022, 2021, and 2020, TPMLLC disbursed \$157,626, \$195,319, and \$230,586, respectively, to the Company's vendors on the Company's behalf, which was recognized as general and administrative expenses and a related party payable for reimbursements owed by the Company to TPMLLC.

During the year ended December 31, 2022, the Company paid \$675,000 to TPMLLC as a repayment of outstanding payables owed by the Company in the amount of \$394,395 at the time of payment. The amount in excess of the outstanding payables owed by the Company to TPMLLC, \$280,605, was recognized as an advance payment made by the Company to TPMLLC.

During the year ended December 31, 2020, through a series of non-cash, non-tax transactions between TPMLLC, the Parent and the Company, \$3,097,073 of related party payables owed by the Company to TPMLLC were contributed by the Parent to the Company as an equity contribution.

## Tempur Franchising US, LLC

### Notes to Financial Statements (continued)

#### 4. Property and Equipment

Property and equipment, net, consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Computer equipment and software	\$ 1,997,908	\$ 1,997,908
Accumulated depreciation	<u>1,997,908</u>	<u>1,442,934</u>
Total property and equipment, net	<u>\$ –</u>	<u>\$ 554,974</u>

Depreciation expense was \$554,974, \$665,970, and \$665,969 for the years ended December 31, 2022, 2021 and 2020, respectively.

#### 5. Accrued Liabilities

The Company's accrued liabilities consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Accrued professional fees	\$ 53,542	\$ 63,471
Accrued property taxes	<u>17,143</u>	<u>–</u>
Total accrued liabilities	<u>\$ 70,685</u>	<u>\$ 63,471</u>

#### 6. Subsequent Events

The Company evaluates subsequent events, which are events that occurred after December 31, 2022, for potential recognition or disclosure in the financial statements. For the period subsequent to December 31, 2022, the Company evaluated the impact of subsequent events through March 21, 2023, representing the date on which the financial statements were available to be issued.

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**EXHIBIT I**  
**STATE EFFECTIVE DATES**

## 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:

<b>State</b>	<b>Effective Date</b>
California	[Pending]
Hawaii	[Pending]
Illinois	[Pending]
Indiana	[Pending]
Maryland	[Pending]
Michigan	[Pending]
Minnesota	[Pending]
New York	[Pending]
North Dakota	[Pending]
Rhode Island	[Pending]
South Dakota	[Pending]
Virginia	[Pending]
Washington	[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.

New York Insert

(To be inserted immediately before the Acknowledgment of Receipt)

This Franchise Disclosure Document is amended by the addition of the following sentence:

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

**ITEM 23**  
**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Tempur Franchising US, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Tempur Franchising US, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and any applicable state agency (as listed in Exhibit B to this disclosure document).

Tempur Franchising US, LLC's agents for service of process are listed in Exhibit B.

The name, principal business address, and telephone number of the franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Kyle King	1000 Tempur Way Lexington, KY 40511	(888) 420-3678
Jeffrey Cerefice	1000 Tempur Way Lexington, KY 40511	(888) 420-3678

Issuance Date: March 21, 2023

I received a disclosure document dated March 21, 2023. The Franchise Disclosure Document included the following Exhibits:

- |   |  |
|---|--|
| Exhibit A – State Specific Addenda to Franchise Disclosure Document | Exhibit F - Franchise Project Management Agreement                                 |
| Exhibit B – State Administrators/Agents for Service of Process      | Exhibit G-1– List of Franchisees   |
| Exhibit C – Franchise Agreement and State Specific Amendments       | Exhibit G-2– List of Franchisees that have left the system in the last fiscal year |
| Exhibit D – Operating Manual Table Of Contents                      | Exhibit H – Financial Statements   |
| Exhibit E – Sample Product Supply Agreement                         | Exhibit I – State Effective Dates  |

Dated: \_\_\_\_\_

\_\_\_\_\_   
Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

\_\_\_\_\_  
Printed Name

of \_\_\_\_\_

(a \_\_\_\_\_ Corporation)

(a \_\_\_\_\_ Limited Liability Company)

**Keep this page for your records.**

Tempur Franchising US, LLC FDD (2023)

**ITEM 23**  
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If Tempur Franchising US, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and any applicable state agency (as listed in Exhibit B to this disclosure document).

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| Exhibit A – State Specific Addenda to Franchise Disclosure Document | Exhibit F - Franchise Project Management Agreement                                 |
| Exhibit B – State Administrators/Agents for Service of Process      | Exhibit G-1– List of Franchisees   |
| Exhibit C – Franchise Agreement and State Specific Amendments       | Exhibit G-2– List of Franchisees that have left the system in the last fiscal year |
| Exhibit D – Operating Manual Table Of Contents                      | Exhibit H – Financial Statements   |
| Exhibit E – Sample Product Supply Agreement                         | Exhibit I – State Effective Dates  |

Dated: \_\_\_\_\_

\_\_\_\_\_ Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

Printed Name

of \_\_\_\_\_

(a \_\_\_\_\_ Corporation)

(a \_\_\_\_\_ Limited Liability Company)

**You may return the signed receipt either by completing by DocuSign or printing, signing, dating and mailing it to Tempur Franchising US, LLC at 1000 Tempur Way, Lexington, KY 40511, or by scanning and emailing to Franchise.Development@TempurSealy.com.**