



## FRANCHISE DISCLOSURE DOCUMENT BOXDROP LLC

an Ohio limited liability company  
Part of the Retail Service Systems, Inc., family of companies  
6221 Riverside Drive, #2N, Dublin, OH 43017  
Telephone: (614) 965-3981  
support@boxdropdirect.com  
[www.boxdropdirect.com](http://www.boxdropdirect.com)  
[www.retailservicesystems.com](http://www.retailservicesystems.com)

If you sign a franchise agreement, we will grant you the right to develop, own, and operate a retail business under the “BoxDrop®” name (the “**BoxDrop Business**”) that sells either mattresses and bedding products, (a “**Mattress Only Business**”) or mattresses and bedding products along with additional furniture products such as sofas and other home furnishings (a “**Mattress and Sofa Business**”) some of which consist of our private label products and some which are manufactured by authorized manufacturers that we make available to our franchisees from time to time.

The total investment necessary to begin operation of a new Mattress Only Business franchised BoxDrop Business is between \$67,000 to \$115,900. This total investment includes a minimum amount totaling \$38,900 to \$53,900 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation of a new Mattress and Sofa Business franchised BoxDrop Business is between \$126,000 to \$202,400. This total investment includes a minimum amount totaling \$63,900 to \$77,400 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation of a converted BoxDrop franchised BoxDrop Business for a Mattress Only Business is between \$25,000 to \$44,500. This total investment includes a minimum amount totaling \$0.00 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation of a converted BoxDrop franchised BoxDrop Business for a Mattress and Sofa Business is between \$52,000 to \$90,500. This total investment includes a minimum amount totaling \$0.00 that must be paid to the franchisor or an affiliate.

If you acquire the right to develop a number of BoxDrop Businesses under a Development Rights Agreement, the initial development fee is 100% of the initial franchise fee (\$15,000) for the first location, plus seven thousand five hundred dollars (\$7,500) for each additional location that you agree to open under the Development Rights Agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Brad Loy, Director of Franchise Recruiting, at (719) 377-1523 or [brad@retailservicesystems.com](mailto:brad@retailservicesystems.com).

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

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

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

**ISSUANCE DATE: April 30, 2024**

## 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 Exhibit H.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E 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 BoxDrop 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 BoxDrop franchisee?</b>	Item 20 or Exhibits H and I list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Ohio. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Ohio than in your own state.
2. **Inventory Control.** You must make inventory and supply purchases of at least \$100,000 each year, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.
3. **Turnover Rate.** During the last 2 years, a high percentage of franchised outlets were terminated, transferred, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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

## NOTICE REQUIRED BY 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.**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel, which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan  
Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
Telephone Number: (517) 373-7117

**Note:** Despite paragraph (f) above, we intend, and we and you agree, to fully enforce the arbitration provisions of our Franchise Agreement and our Development Rights Agreement. We believe that paragraph (f) above is preempted by United States Federal law and cannot preclude us from enforcing our arbitration agreement. You acknowledge that we will seek to enforce this section as written.

**TABLE OF CONTENTS**

<b><u>ITEM</u></b>	<b><u>PAGE</u></b>
<u>ITEM 1</u> THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....	1
<u>ITEM 2</u> BUSINESS EXPERIENCE .....	5
<u>ITEM 3</u> LITIGATION .....	7
<u>ITEM 4</u> BANKRUPTCY .....	7
<u>ITEM 5</u> INITIAL FEES .....	7
<u>ITEM 6</u> OTHER FEES .....	11
<u>ITEM 7</u> ESTIMATED INITIAL INVESTMENT .....	16
<u>ITEM 8</u> RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	24
<u>ITEM 9</u> FRANCHISEE’S OBLIGATIONS .....	28
<u>ITEM 10</u> FINANCING .....	30
<u>ITEM 11</u> FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING .....	31
<u>ITEM 12</u> TERRITORY .....	44
<u>ITEM 13</u> TRADEMARKS .....	48
<u>ITEM 14</u> PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	52
<u>ITEM 15</u> OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	53
<u>ITEM 16</u> RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	54
<u>ITEM 17</u> RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	55
<u>ITEM 18</u> PUBLIC FIGURES .....	59
<u>ITEM 19</u> FINANCIAL PERFORMANCE REPRESENTATIONS .....	59
<u>ITEM 20</u> OUTLETS AND FRANCHISEE INFORMATION .....	60
<u>ITEM 21</u> FINANCIAL STATEMENTS .....	70

ITEM 22 CONTRACTS .....70  
ITEM 23 RECEIPTS .....70

EXHIBITS

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Development Rights Agreement
- D Amendment No. 1 to Franchise Agreement (applicable to RSS Dealers only)
- E Financial Statements
- F Confidentiality Agreement
- G Table of Contents of Operations Manual
- H List of Franchisees
- I List of Franchisees Who Have Left the Franchise
- J State Addenda and Addendum to Franchise Agreement
- K Form of Release
- L Form of Promissory Note

**REGISTERING STATES REQUIRE ADDITIONAL DISCLOSURES AND RIDERS TO THIS DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT. ADDITIONAL DISCLOSURES AND RIDERS APPEAR IN EXHIBIT J.**

## ITEM 1

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

The franchisor is BoxDrop, LLC and to simplify the language in this disclosure document, the words “we,” “us,” “our,” or “**BoxDrop**” refer to BoxDrop, LLC. We refer to the person or legal entity (including its individual owners) who buys the franchise as “you” throughout this Disclosure Document. We will allow you to form a corporation or limited liability company to be the franchisee, but if you do, we must approve of all of your owners and you and each of your owners are required to sign a personal guaranty under which you and they will become personally bound by and responsible for all of the obligations under the Franchise Agreement (Exhibit B to this Disclosure Document), so references to “you” in this Disclosure Document will be equally applicable to you, to your legal entity, and all members or owners of such entity.

#### **The Franchisor.**

We were formed as an Ohio limited liability company on August 19, 2019. Our principal business address is 6221 Riverside Drive, #2N, Dublin, Ohio 43017. Our telephone number is (614) 965-3981 and our website is [www.boxdropmattress.com](http://www.boxdropmattress.com). We do business under the corporate name and those trade names, trademarks and service marks “BoxDrop,” “BD BoxDrop Furniture,” and “BoxDrop Mattress & Furniture” and other marks, each of which are owned by our parent company, Retail Service Systems, Inc. (“**RSS**”) and used by us with permission. We have no predecessor entity. If we have an agent in your state for service of process, we disclose that agent in Exhibit A. We have a parent company and affiliates that provide products and services to our franchisees.

#### **Our Parent, Predecessors and Affiliates.**

RSS was formed as an Ohio corporation on May 22, 2013, under the name Retail Service Systems, Incorporated. RSS’s principal business address is 6221 Riverside Drive, #2N Dublin, Ohio 43017. RSS’s telephone number is (614) 401-2901, and its website is [www.retailservicesystems.com](http://www.retailservicesystems.com). RSS does business under its corporate name and under the trade names, trademarks and service marks “BoxDrop,” “BD BoxDrop Furniture,” and “BoxDrop Mattress & Furniture.” RSS has no parent entity. RSS acquired the franchise concept offered under this Disclosure Document from Power Marketing Direct, Inc. and PMD Furniture Direct, Inc., predecessors of the franchise system. On June 12, 2013, RSS acquired substantially all of the assets, including trademarks, service marks, and proprietary information, of Power Marketing Direct, Inc. and PMD Furniture Direct, Inc. (collectively, “**PMD**”), under that certain Asset Purchase Agreement by and among RSS, PMD, and others named in the agreement. Power Marketing Direct, Inc. was incorporated in Ohio on January 12, 2001. PMD Furniture Direct, Inc., was incorporated in Ohio on September 29, 2008. RSS is a supplier for mattresses, furniture, materials, and services and other approved merchandise approved for sale in franchised BoxDrop Businesses. RSS also owns various Marks (as defined later in this Disclosure Document) and licenses the Marks to us so that we may license them to you.

RSS owns a wholly-owned subsidiary, BoxDrop OH, LLC (“**BoxDrop OH**”). BoxDrop

OH was formed as an Ohio limited liability company on September 30, 2019, and its principal place of business is located at 6221 Riverside Drive, #2N, Dublin, Ohio 43017. On January 1, 2020, RSS transferred a portion of its assets to BoxDrop OH, which pertain to RSS' business as a supplier of mattresses, furniture, materials, and services and other approved merchandise for sale to the RSS Dealers.

RSS owns another company, Sapphire Sleep Industries, LLC ("**Sapphire**"), which is our affiliate. Sapphire was formed as a Texas limited liability company on May 12, 2018, and its principal place of business is located at 6221 Riverside Drive, #2N, Dublin, Ohio 43017. Sapphire does not offer franchises, but it may in the future offer and sell mattresses and bedding products to the BoxDrop Business and through online and other e-commerce channels directly to customers. Sapphire owns the intellectual property associated with the Sapphire Sleep mattress and bedding products, which such intellectual property is licensed to us, so we may license them to you.

Other than the affiliates disclosed in this Item 1, we have no other affiliates that must be disclosed in this Disclosure Document.

### **Prior Experience of BoxDrop and its Predecessors and Affiliates.**

From June 2013 through December 2019, our parent, RSS, entered into License and Dealer Agreements with independent furniture dealers to sell and distribute mattresses, bedding and other furniture purchased from and supplied by RSS. These individual furniture distributors ("**RSS Dealers**") would select and purchase, at wholesale pricing, various products, including private label products, from RSS, which they would then sell to the public. As of December 31, 2019, RSS stopped entering into any new License and Dealer Agreements. The businesses operated under the License and Dealer Agreements are different from the BoxDrop Businesses being offered under this Disclosure Document. RSS Dealers did not use nor have access to the same sales techniques and strategies that form part of the System (defined below) that we are licensing to our franchisees. RSS Dealers may choose to convert their independent distribution businesses into a BoxDrop Business by executing a Franchise Agreement and signing the Amendment No. 1 to the Franchise Agreement, attached as Exhibit D to this Disclosure Document.

PMD offered franchises for the type of business which is being offered under this Disclosure Document from May 2009 through June 2013. PMD is no longer offering franchise businesses. RSS acquired the rights to the franchise agreements entered into with PMD when it acquired the assets of PMD in June 2013. RSS has maintained and serviced those franchise agreements since June 2013. We offered our first BoxDrop franchise in December 2019. Our predecessors previously owned and operated businesses similar to the type being franchised, however, we have no knowledge about either the length of time or which predecessors engaged in such business activities. Since 2013, our Parent has operated and conducted a business of the type to be operated by you. Prior to June 2013, PMD owned and operated an independent furniture distribution store which sold similar products since 2001 but had different operation models. Since 2019, we have operated and conducted a business of the type to be operated by you, in Jacksonville, Florida. Those operations are listed as a company-owned outlet in Item 20. Except as noted above, neither we nor our affiliates have offered franchises in any other line of business.

## **The Franchise Business We Offer.**

Under this Disclosure Document, through the Franchise Agreement attached as Exhibit B, we offer franchises for retail businesses which sell, deliver, and service our private label (and certain other approved manufacturers' labels) furniture, such as bedding, bedding supplies and other home furnishings and related products and services and other approved products (“**Products**”) from an approved specific location (a “**BoxDrop Business**”) operating in accordance with Our System (as defined below) and the Marks (as defined below). Under this Disclosure Document you can purchase one of two types of BoxDrop Businesses which will offer only certain types of Products. You can purchase and operate a BoxDrop Business that either offers and sells (i) mattresses and bedding products only (a “**Mattress Only Business**”), or (ii) mattresses and bedding products along with additional furniture products such as sofas and other home furnishings (a “**Mattress and Sofa Business**”). When you sign a Franchise Agreement with us, you will determine which type of BoxDrop Business you will operate, and you will only operate and provide the Products sold from that type of BoxDrop Business. You will not operate both types of BoxDrop Businesses under a Franchise Agreement.

BoxDrop Businesses are licensed to use the trademarks “BoxDrop Mattress and Furniture,” “Royal Heritage Home Furnishings,” “SLEEP2WIN,” and other related trademarks, service marks, trade names, and commercial symbols which we currently own, may develop, or have been given permission by our affiliates or third parties to use (collectively, the “**Marks**”). We will also designate a set geographical territory around the BoxDrop Business within which you will have certain protected rights as specified in the Franchise Agreement (“**Territory**”). BoxDrop Businesses will purchase initial inventory of Products, and the inventory will vary depending upon which BoxDrop Business you purchase. If you purchase a Mattress Only Business, your initial inventory purchase will consist primarily of bedding and bedding supplies through purchasing the Mattress Initial Inventory Package (as defined below), and you will be required to meet certain annual minimum purchase amounts which are outlined in the Franchise Agreement. If you purchase a Mattress and Sofa Business, your initial inventory purchase will consist of bedding, bedding supplies, and various sizes of sofas through purchasing the Sofa Initial Inventory Package (as defined below), and you will be required to meet certain annual minimum purchase amounts which are outlined in the Franchise Agreement.

“**Our System**” means the distinctive and proprietary uniform business methods, standards, techniques, expertise, procedures and specifications developed by us for establishing, operating and promoting the BoxDrop Business, both of the Mattress Only Business and Mattress and Sofa Business. The distinguishing characteristics of Our System include, without limitation, operating methods, procedures, and techniques for sales, inventory managements, advertising, retail and home delivery operations, layout, and schemes for the retail space; operating methods, procedures, and techniques; record keeping and reporting; training; and marketing, and promotional techniques, all of which may be changed, improved, further developed, or otherwise modified by us from time to time. If you become a BoxDrop franchisee you must execute the distinguishing operating methods of Our System with precision, and recruit and train agents or employees to execute the Our System accurately under your management and leadership.

BoxDrop Businesses are generally located in or near suburban cities and open by

appointment only, but you may also operate with regular store hours, such as Monday through Friday between the hours of 9:00 a.m. and 8:00 p.m. The typical initial Mattress Only Business is located in a multi-unit, warehouse-style building and consists of approximately 1,200 to 2,500 square feet with outdoor space for a delivery connection appropriate for truck deliveries to the location. The typical initial Mattress and Sofa Business is located in a multi-unit, warehouse-style building and consists of approximately 4,000 to 7,000 square feet with outdoor space for a delivery connection appropriate for truck deliveries to the location. After a few years of operations, franchisees have typically desired to move their BoxDrop Businesses to a bigger location to accommodate greater quantities of Product inventory. Such relocation is not required by us, and is only at the discretion of the franchisee. In addition, the BoxDrop Business must be operated by you.

We also may grant multi-unit development rights to qualified franchisees, which then may develop a specific number of BoxDrop Business within a defined territory (a “**Development Territory**”) according to a pre-determined development schedule (the “**Development Schedule**”) under our Development Rights Agreement (Exhibit C). Those franchisees may open and operate their BoxDrop Businesses directly or through certain Affiliated Entities (defined in Item 15). Before you sign the Development Rights Agreement, we and you will agree on the Development Territory, the number of BoxDrop Businesses that you will develop in the Development Territory, and the timeframe within which you will develop them. There is a minimum requirement to develop at least three (3) BoxDrop Businesses under a Development Rights Agreement. At the time of signing the Development Rights Agreement you will sign our current Franchise Agreement, which is attached to this Disclosure Document as Exhibit B, for the first BoxDrop Business and pay the Development Fee which is calculated pursuant to the formula in Item 5 below. We and you (or your Affiliated Entity) will sign our then current form of franchise agreement (which could differ from the Franchise Agreement described in this disclosure document) for each subsequent BoxDrop Business and pay the remaining balance of the initial fees according to the then-current franchise agreement.

We are offering RSS Dealers the opportunity, as described in this Disclosure Document, to become franchisees and to convert their existing retail business to a BoxDrop Business. An RSS Dealer who converts their business to a BoxDrop Business must sign a Franchise Agreement and the form of Amendment No. 1 to Franchise Agreement which is attached to this Disclosure Document as Exhibit D. As a result of such amendment, the terms and conditions under which converted RSS Dealers are operating their BoxDrop Businesses may be different than the terms and conditions being offered to persons who are becoming franchisees without having first been an RSS Dealer. Those differences are noted throughout this Disclosure Document.

### **Market Competition.**

You will compete with other retail and furniture and mattress service businesses within your market. These may include franchisees of other franchise systems which operate nationally, regionally and locally. In addition, you will compete with other furniture, bedding, bedding supplies, and home furnishings retailers generally (including other BoxDrop Businesses outside your Territory) that offer similar items. Additionally, you may face competition from department stores, big box stores, mass merchandisers, national, regional and local furniture store chains or

independent furniture stores, specialty retailers, and e-commerce furniture and mattress retailers. We do not grant you, and reserve for ourselves, the right to engage in catalog and online sales of certain branded products and other bedding and furniture products, including but not limited to Sapphire Sleep products offered through our affiliate, Sapphire. If we choose to engage in those activities, we will be in competition with your BoxDrop Business. Our BoxDrop Businesses appeal to a broad range of customers because of the perceived variety and quality of our products at competitive warehouse pricing. Sales are not typically seasonal but are dependent upon your customers' propensity to purchase furniture.

### **Regulations.**

Some states have enacted laws which regulate the manufacture and sale of mattresses and certain bedding materials. Your state may require that you obtain a specific license or permit in order to operate the BoxDrop Business. You must comply with any laws and ordinances which relate specifically to the operation of the BoxDrop Business as well as all local, state, and federal health and sanitation laws. Further, your BoxDrop Business will be subject to various federal, state, and local laws and regulations relating to the manufacture, labeling, disposal, and sale of mattresses and related bedding products (including flammability regulations such as 16 CFR parts 1632 and 1633 the Consumer Products Safety Information Act, and/or other product safety laws). You should familiarize yourself with these laws or consult with an appropriate legal professional about these laws.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Carleton Scott Andrew - Chief Executive Officer**

Carleton Scott Andrew has been the Chief Executive Officer and President of Retail Service Systems, Inc. since it was formed in May 2013 in Johnson City, Tennessee and has been the Chief Executive Officer of BoxDrop LLC since its formation, August 19, 2019 in Johnson City, Tennessee.

#### **Jerry Williams – President**

Jerry Williams has been the President of BoxDrop LLC since September 2019 in Dublin, Ohio. Prior to that, he was the Chief Operating Officer of Retail Service Systems, Inc. from January 2018 through September 2019 in Dublin, Ohio, and was the Vice President of Retail Service Systems, Inc. from June 2013 through December 2017 in Dublin, Ohio.

#### **Jim Wilson – Chief Franchise Development Officer**

Jim Wilson has been the Chief Franchise Development Officer of BoxDrop LLC since January 2023 in Johnson City, Tennessee. From January 2021 to December 2022, he was the

Executive Vice President of Retail Service Systems, Inc. in Johnson City, Tennessee. From September 2019 to January 2021, Jim was the Chief Executive Officer of bioPURE Services, LLC in Johnson City, Tennessee. From July 2018 to September 2019, he was the Chief Projects Engineer of Retail Service Systems, Inc. in Johnson City, Tennessee. From 2013 through July 2018, Jim was a Director of Global Procurement for Eastman Chemical Company in Johnson City, Tennessee.

### **Darren Conrad – Executive Vice President and Chief Community Officer**

Darren Conrad has been the Executive Vice President and Chief Community Officer of Retail Service Systems, Inc. since May 2019 and has served as the Executive Vice President and Chief Community Officer of BoxDrop LLC since August 2019 in Dublin, Ohio. Mr. Conrad was the Chief Marketing Officer of Retail Service Systems, Inc. from April 2017 and May 2019 in Jacksonville, FL.

### **David Wilson—Chief Marketing Officer**

David Wilson has been the Chief Marketing Officer of Retail Service Systems, Inc. since May 2019 in Cary, North Carolina and has been the Chief Marketing Officer of BoxDrop LLC since August 2019 Cary, North Carolina. Prior to that, he was the Chief Executive Officer of Growth Engine Marketing from May 2018 through April 2019 in Cary, North Carolina. From January 2016 through April 2018, he was the President of Data Decisions Group in Cary, North Carolina.

### **Clark Jordan – Chief Legal Officer**

Clark Jordan has been the Chief Legal Officer for BoxDrop LLC and Retail Service Systems since February 2023 in Kingsport, Tennessee. From February 2011 to February 2023, he was the Vice President, Legal and Corporate Secretary for Eastman Chemical Company in Kingsport, Tennessee.

### **Brad Loy – Director of Franchise Recruiting**

Brad Loy has been the Director of Franchise Recruiting for BoxDrop LLC since September 2023 and is located in Raymore, Missouri. Prior to this role, Brad was Compliance Director for Retail Service Systems between July 2022 and August 2023 in Raymore, Missouri. Prior to that he was the Director of Mattress Coaching for Retail Service Systems between September 2021 and June 2022 in Raymore, Missouri. Between January 2018 and September 2021 in Raymore, Missouri he was Chief Coaching Officer of Retail Service Systems.

### **Kelly Harris – Chief Merchandising Officer and Division Business Coach**

Kelly Harris has been our Chief Merchandising Officer since September 2023 and is located in Meridian, Idaho. Prior to this role, Kelly was Director of BoxDrop Sofa for Retail Service Systems between September 2022 and September 2023 in Meridian, Idaho. Prior to that she was a Division Business Coach for Retail Service Systems between September 2020 and September 2022 in Meridian, Idaho. Between February 2018 and September 2020 in Meridian, Idaho she was Mt West National Business coach.

### **ITEM 3**

#### **LITIGATION**

Organ Cole LLP v. Retail Service Systems, Inc., et al., Case No. 18-cv-6818 in the Franklin County, Ohio, Court of Common Pleas. The case was filed on August 9, 2018 by Organ Cole LLP (“OC”), a law firm formerly employed by Scott Andrew and RSS, and the parties to the lawsuit include OC, Scott Andrew, and RSS. OC claims that it is entitled to legal fees for work previously done for Scott Andrew and RSS, which Andrew and RSS entirely dispute. The matter is in the discovery phase, and has not yet reached a trial. The court vacated the trial date set in 2021 and the parties are waiting for a new trial date to be set. On August 29, 2023 the court ordered the parties to proceed to discovery and file protective orders over such discovery. Retail Service Systems filed its protective order in September 2023 and OC filed a Motion in Opposition to such protective order. Retail Service Systems filed a Motion in support of their protective order in October 2023. The court has yet to rule on the protective orders and the parties are awaiting decisions before they can proceed to discovery. The case is expected to go to trial in late 2024 unless the parties agree to a settlement or the court otherwise rules on the merits prior to then.

Other than these actions, no litigation is required to be disclosed in this Item.

### **ITEM 4**

#### **BANKRUPTCY**

RSS’s Chief Community Officer, Darren Conrad, filed a bankruptcy petition under the liquidation provisions of Chapter 7 of the U.S. Bankruptcy Code on July 3, 2014, prior to obtaining employment with Retail Service Systems, Inc. *In re Conrad*, No. 3:14-bk-03268-PMG (M.D. Fla 2014). On October 9, 2014, the bankruptcy court entered a discharge.

### **ITEM 5**

#### **INITIAL FEES**

##### **Initial Franchise Fee.**

We charge an initial franchise fee (“**Initial Franchise Fee**”) of Fifteen Thousand dollars (\$15,000) for a BoxDrop Business. The Initial Franchise Fee is due and payable to us, as follows, at your option: (i) payment in full of the entire amount of the Initial Franchise Fee in a lump sum,

at the time you sign the Franchise Agreement, or (ii) payment of Three Thousand Dollars (\$3,000) as a down payment at the time you sign the Franchise Agreement and the remaining balance paid in equal installments over twelve (12) months pursuant to a promissory note, in the form of Exhibit K. The Initial Franchise Fee is not refundable under any circumstances and is fully earned by us when you execute the Franchise Agreement. This Initial Franchise Fee is uniform among all franchisees executing a Franchise Agreement for a single BoxDrop Business (regardless of whether you elect to open a Mattress Only Business or a Mattress and Sofa Business), except for Qualified Veterans, RSS Dealers converting into a BoxDrop Business. Qualified Veterans receive a discount on their Initial Franchise Fee and RSS Dealers converting their locations into a BoxDrop Business are not charged the Initial Franchise Fee.

We offer qualified individuals honorably discharged from any branch of the U.S. Military (“**Qualified Veterans**”) a ten percent (10%) discount off the Initial Franchise Fee, making their Initial Franchise Fee Thirteen Thousand Five Hundred Dollars (\$13,500). The discount of ten percent (10%) off the Initial Franchise Fee is uniform for all franchisees with a Qualified Veteran.

The Initial Fee has ranged from \$0 - \$2,500 in the past. We currently have a referral program to reward existing franchisees to refer new franchisees to us. If you were referred to us by an existing franchisee of a BoxDrop Business, we pay \$3,000 of your Initial Franchise Fee to the existing franchisee who referred you to us, payable in 3 separate payments, which is non-refundable.

### **DEVELOPMENT FEE**

When you sign a Development Rights Agreement you must pay us a development fee equal to 100% of the Initial Franchise Fee (\$15,000) for the first BoxDrop Business to be developed plus 50% of the Initial Franchise Fee (\$7,500) for each additional BoxDrop Business to be developed thereunder (the “Development Fee”). If you are a franchisee with a Qualified Veteran, the Development Fee will be calculated with the 10% discount on the Initial Franchise Fee. For Qualified Veteran franchisees, the Development Fee will be equal to 100% of the Initial Franchise Fee (\$13,500) for the first BoxDrop Business plus 50% of the Initial Franchise fee (\$6,750) for each additional BoxDrop Business to be developed thereunder. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Development Schedule within the Development Rights Agreement. You may not finance the Development Fee. The Development Rights Agreement will not be effective, and you will have no development rights, until we receive the Development Fee. If you sign the Development Rights Agreement, pay the Development Fee, and then cannot find sites for BoxDrop Business or choose for another reason not to perform (in which case we terminate the Development Rights Agreement), we may keep the entire Development Fee and need not return any money to you.

You are required to sign a Franchise Agreement for the first BoxDrop Business at the time you sign your Development Rights Agreement, but you will not be charged a separate Initial Franchise Fee under that initial Franchise Agreement. The Development Fee includes your first Initial Franchise Fee due under that initial Franchise Agreement. You will sign our then current form of franchise agreement and related documents for each BoxDrop Business developed

according to the Development Schedule within the Development Rights Agreement, the terms of which may differ substantially from those in the Franchise Agreement attached to this disclosure document.

We will apply Seven Thousand Five Hundred Dollars (\$7,500) (or \$6,750 if you are a Qualified Veteran) of the Development Fee towards each Initial Franchise Fee charged under each subsequent Franchise Agreement to satisfy the Initial Franchise Fee. RSS Dealers executing a Development Rights Agreement will be required to pay the Development Fee in full, their initial franchise fee will not be waived in connection with executing a Development Rights Agreement. This Development Fee is uniform among all developers executing a Development Rights Agreement. As this is the first year offering the Development Rights Agreement, we did not modify or reduce the Development Fee in 2023.

### **Initial Inventory – Mattress Only Business.**

Unless you are an existing RSS Dealer converting their retail business into a BoxDrop Business, before you open your Mattress Only Business, you must purchase from us your entire initial inventory of Products consisting of mattresses, bedding, and bedding supplies (the “**Mattress Initial Inventory Package**”). Based upon our knowledge and experience in operating businesses similar to the Mattress Only Business BoxDrop Businesses, we have prepared and designed the contents of the Mattress Initial Inventory Package. The Mattress Initial Inventory Package ranges between a minimum of \$21,500 to maximum of \$36,500; provided you attend and complete to our satisfaction the Initial Training (as defined in Item 11) program within 90 days of the opening of your BoxDrop Business. Should you fail to attend and complete the Initial Training program within ninety (90) days of executing your franchise agreement, we will increase the price of the Mattress Initial Inventory Package by \$2,400 to account for additional product we shipped to you free of charge at the time we delivered the Mattress Initial Inventory Package. For the avoidance of doubt, to incentivize franchisees to complete their Initial Training quickly, we provide free items of inventory in your Mattress Initial Inventory Package with a value of \$2,400. In the event a franchisee fails to complete the Initial Training within ninety (90) days of execution of the franchise agreement, you will be charged for such items within the Mattress Initial Inventory Package and you must remit payment for the remaining balance of \$2,400, which is due before your BoxDrop Business is open, making the range \$23,900 - \$38,900.

The Mattress Initial Inventory Package contains a range of products designed to help you open your store, and is uniform for all franchisees who open a Mattress Only Business. The price of the Mattress Initial Inventory Package is a minimum of \$21,500 which includes standard bedding inventory and displays. Franchisees may choose to purchase an additional \$15,000 of memory foam beds and bases inventory with displays, but such additional products are not required by us prior to opening your BoxDrop Business. In the event of materials price increases or other fees that our manufacturers pass onto us, we reserve the right to increase the price of the Mattress Initial Inventory Package. If we increase the cost of the Mattress Initial Inventory Package for such reasons, such increase will be uniform for all franchisees who open a Mattress Only Business. You are required to purchase one of the Mattress Initial Inventory Packages from us, or our other affiliates, as we designate. Payment for the Mattress Initial Inventory Package must be made to us when the order is placed (which is prior to the opening of your BoxDrop Business), and, once paid,

it is not refundable. The amount of product within the Mattress Initial Inventory Package is designed to be sufficient to sustain your first few weeks of operation after opening, but this timeframe will vary based on a number of factors, including but not limited to the size of your store, the amount of advertising you conduct, the number of customers you have, and other factors. The price for the Mattress Initial Inventory Package is not refundable under any circumstances and is fully earned by us when paid.

### **Initial Inventory – Mattress and Sofa Business**

Unless you are an existing RSS Dealer converting their retail business into a BoxDrop Business, before you open your Mattress and Sofa Business, you must purchase from us your entire initial inventory of Products consisting of mattresses, bedding, bedding supplies, and various sizes of sofas (the “**Sofa Initial Inventory Package**”). Based upon our knowledge and experience in operating businesses similar to the Mattress and Sofa Business BoxDrop Businesses, we have prepared and designed the contents of the Sofa Initial Inventory Package. The Sofa Initial Inventory Package ranges between a minimum of \$46,500 to maximum of \$60,00; provided you attend and complete to our satisfaction the Initial Training (as defined in Item 11) program within 90 days of the opening of your BoxDrop Business. Should you fail to attend and complete the Initial Training program within ninety (90) days of executing your franchise agreement, we will increase the price of the Sofa Initial Inventory Package by \$2,400 to account for additional product we shipped to you free of charge at the time we delivered the Sofa Initial Inventory Package. For the avoidance of doubt, to incentivize franchisees to complete their Initial Training quickly, we provide free items of inventory in your Sofa Initial Inventory Package with a value of \$2,400. In the event a franchisee fails to complete the Initial Training within ninety (90) days of execution of the franchise agreement, you will be charged for such items within the Sofa Initial Inventory Package and you must remit payment for the remaining balance of \$2,400, which is due before your BoxDrop Business is open, making the range \$48,900 - \$62,400.

The Sofa Initial Inventory Package contains a range of products designed to help you open your store and is uniform for all franchisees who open a Mattress and Sofa Business. The price of the Sofa Initial Inventory Package is a minimum of \$46,500 which includes standard bedding inventory and displays and an initial sofa inventory. Franchisees may choose to purchase an additional \$15,000 of memory foam beds and bases inventory with displays, but such additional products are not required by us prior to opening your BoxDrop Business. In the event of materials price increases or other fees that our manufacturers pass onto us, we reserve the right to increase the price of the Sofa Initial Inventory Package. If we increase the cost of the Sofa Initial Inventory Package for such reasons, such increase will be uniform for all franchisees who open a Mattress and Sofa Business. You are required to purchase one of the Sofa Initial Inventory Packages from us, or our other affiliates, as we designate. Payment for the Sofa Initial Inventory Package must be made to us when the order is placed (which is prior to the opening of your BoxDrop Business), and, once paid, it is not refundable. The amount of product within the Sofa Initial Inventory Package is designed to be sufficient to sustain your first few weeks of operation after opening, but this timeframe will vary based on a number of factors, including but not limited to the size of your store, the amount of advertising you conduct, the number of customers you have, and other factors. The price for the Sofa Initial Inventory Package is not refundable under any circumstances and is

fully earned by us when paid.

**ITEM 6**

**OTHER FEES**

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Ongoing Inventory <sup>2</sup>	The cost for all Products purchased as inventory for your BoxDrop Business, typically \$2,000 to \$3,000 per week for a Mattress Only Business and \$3,000 to \$4,000 for a Mattress and Sofa Business, but could be more depending upon your volume of sales at the BoxDrop Business	Upon placing the order	You must buy all Products from us or, at our option, from our affiliate at our designated pricing. We reserve the right to establish and modify the pricing and terms of sale with respect to any Products that we or our affiliates sell to you at any time and in our sole discretion. See Note 2 below.
National Marketing Fee	Up to 2% of the total purchase price of all Products you ordered from us (or an affiliate) during the previous calendar month (currently 0%)	Payable on the 5 <sup>th</sup> day of each month (based on the amount of Products purchased during the prior month)	Only if we exercise our right to establish a National Marketing Fund. As of the date of this Disclosure Document, no National Marketing Fund or programs have been established. We may debit your bank account for amounts due.
Regional Advertising Fee	Up to 1% of the total purchase price of all Products you ordered from us (or an affiliate) during the previous calendar month (currently 0%)	Payable on the 5 <sup>th</sup> day of each month (based on the amount of Products purchased during the prior month)	Only if we exercise our right to establish a Regional Advertising Fund. If established, the Regional Advertising Fee would be in addition to the National Marketing Fee. As of the date of this Disclosure Document, no Regional

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
			Advertising programs have been established. We may debit your bank account for the amounts due. Any Regional Advertising Fees would be in addition to National Marketing Fees.
Advertising Cooperative	Not exceed 3% of Gross Sales (as defined below)	Determined by coop members	We may designate local advertising markets and if designated, you must participate in and contribute to the cooperative advertising and marketing programs in your market. The members of the cooperative establish their own procedures and contributions, subject to our approval (see Item 11). See Notes 1, 2 and 3.
Transfer	\$5,000	On or before the date of transfer	Payable if and when your BoxDrop Business and your interest in the Franchise Agreement, a material portion of the BoxDrop Business' assets, or an interest in you is transferred. All proposed transfers must be approved by us.
Relocation Fee	\$500	On or before the date of relocation	Payable if you desire to relocate your BoxDrop Business from its Approved Location. You are not required to relocate your BoxDrop Business, but if you desire more or less space, you may desire to relocate. This fee covers our administrative costs is reviewing and approving your proposed new location.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Renewal or Successor Franchise Fee	\$500 or 10% of the current Initial Franchise Fee at the time of renewal, whichever is greater.	When you renew your Franchise Agreement and sign the then-current version of Franchise Agreement with us	If we are not offering new franchises at the time of renewal, this fee will be calculated at either \$500 or 10% of the last Initial Franchise Fee required by us of new franchisees, whichever is greater.
National Conference Costs	Varies by Conference.	As incurred, but in no event no less than seven days prior to the conference.	We reserve the right to pass on to you an allocation of the costs we incur in producing and holding National Conferences for franchisees, including, without limitation, the costs of meeting space, travel, lodging, meals and catering for the event. These costs would be passed along to you through a required tuition or admission cost; provided, however, you will not be required to pay more than \$500 a year for tuition costs to National Conferences. We reserve the right to hold up to two (2) National Conferences per year. Only those franchisees in good standing (that is, not in default of the Franchise Agreement) are entitled to attend, and attendance is highly encouraged.
Noncompetition Violation <sup>3</sup>	A fee equal to our then-current Initial Franchise Fee for each Competitive Business you operate and 10% of its Gross Sales (as defined below) and	Upon a violation of the noncompetition covenants, due immediately upon demand by us.	See note 3 below.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
	attorney fees.		
Proprietary software and/or mobile application	A cost up to \$200 a month, if charged (currently \$0).	Payable on the 5th day of each month.	Only if we exercise our right to establish a mobile application or software program that allows franchisees to track customer purchases and customer data. If created, you will be required to purchase the software and/or mobile application and pay us a monthly fee for such software. As of the date of this Disclosure Document, no software or applications have been created. We may debit your bank account for the amounts due.
Late Payment Charge	Up to \$200 per default (at our discretion)	On demand, but only if you are delinquent in your payments to us under the Franchise Agreement	Payable the day after payment is due
Interest on Late Payments	2 points over the WSJ Prime Rate as published by the Wall Street Journal, not to exceed the highest commercial contract rate by law	As incurred	Due only on payments which are not paid on the date such payment is due
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement or Development Rights Agreement, and we are successful in an action against you
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates if any of us are held liable for claims related to operations your BoxDrop Business.

- <sup>1/</sup> Except as otherwise noted, fees are uniform and are imposed and collected by us. Cooperative fees, which are imposed by the cooperative, will be payable to the cooperative. No fees are refundable.
- <sup>2/</sup> Currently, we offer discounts in lifetime purchasing tiers, broken down into \$0 - \$39,999 in purchases, \$40,000 - \$79,999 in purchases, with the best pricing offered once you reach \$80,000 in lifetime purchases. In order to maintain your Territory and your BoxDrop Business, you are required to maintain a minimum level of annual purchases of Products from us or our affiliates for your BoxDrop Business. You are required to purchase at least \$75,000 of Products during your first 12 months of operation, \$100,000 of Products during your second year of operation, and then \$200,000 annually thereafter. The amount of your ongoing inventory purchases will depend on factors such as the size of your BoxDrop Business, the characteristics of your Territory, and your available capital. In addition, after you have established 12 months of good payment history with BoxDrop, you may request the ability to purchase items on credit from BoxDrop (a minimum of \$6,000 on credit), with payments due within 30 days. We may, in our sole and complete discretion, grant or deny your request, and we will consider many factors, including your order and payment history, length of operation, and other factors as we may consider, as further outlined in the Operations Manual. Also, if you achieve \$300,000 in purchases from us in one calendar year, you will be eligible for the “Rugged 300” program, under which you will be eligible for product discounts, special recognition, and special events at our National Conference, as more specifically defined in our Operations Manual.
- <sup>3/</sup> You agree not to engage in certain businesses defined as “Competitive Businesses” under the Franchise Agreement during the term of the Franchise Agreement and, for a period of two (2) years after expiration or termination, not to engage in any Competitive Business located or operating from the premises at which the BoxDrop Business was operated or within a 200-mile radius of (a) the premises at which the BoxDrop Business was operated, (b) any territory, market or trade area serviced by us or a franchisee as of the date expiration or termination, (c) any territory, market or trade area which we have planned or taken steps to service either directly or through a franchisee, or (d) any location, trade area, market or territory from or in which a BoxDrop Business has operated during the 3-year period prior to termination or expiration of your Franchise Agreement. For purposes of determining the violation of noncompetition fee and for Advertising Cooperative contributions, “Gross Sales” shall mean all revenue you receive from the sale of furniture, mattress, and bedding products, whether by cash, check, credit card, trade or otherwise, excluding only sales taxes collected and paid on behalf of your customers.
- <sup>4/</sup> While we will determine if and when an advertising cooperative is formed, the Advertising Cooperative’s members are responsible for its administration. Currently, there is no advertising cooperative that has been formed and we have no plans to form any advertising cooperatives. If formed, the advertising cooperative’s members will determine contribution levels and all company-owned or affiliated owned BoxDrop Businesses will contribute to the advertising cooperative at the same level as franchisee-owned units; provided, no

advertising cooperative will be allowed to charge more than three percent (3%) of a Franchisee’s annual Gross Sales. There is no set minimum that an advertising cooperative must charge its members (if formed). All material decisions of an advertising cooperative will require the affirmative vote of 51% of all BoxDrop Businesses operating within the cooperative’s area (including those that we and our affiliates operate, if applicable), with each BoxDrop Businesses receiving one vote. Neither we, nor any of our affiliates operating a BoxDrop Business, will have any more voting power than the participating franchisees in such Advertising Cooperative, provided that we will mandate that no cooperative will charge more than three percent (3%) of a Franchisee’s annual Gross Sales as their contribution level. We will not impose our voting power to set a minimum contribution for cooperatives.

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT FOR A SINGLE MATTRESS ONLY BUSINESS**

<b>Type of Expenditure<sup>1</sup></b>	<b>Amount (Est. Low Range – High Range)</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>	\$15,000	Either Lump sum or via promissory note	At signing of Franchise Agreement	Us
Building Lease - 3 Month’s Rent <sup>2</sup>	\$3,000 - \$10,000	As agreed	As agreed in lease or sublease	Third party landlord
Leasehold Improvements <sup>3</sup>	\$0 - \$2,500	As agreed	As incurred	Third party contractors or landlords
Cash Register, Credit Card Processing machines, Computer Systems <sup>4</sup>	\$0- \$2,000	As agreed	As incurred	Third party suppliers
Furniture (non-inventory), Fixtures and Equipment <sup>5</sup>	\$0 - \$1,000	As agreed	As incurred	Third party suppliers
Phones, Other Miscellaneous Items <sup>6</sup>	\$500 - \$1,500	As agreed	As incurred	Third party suppliers
Security Deposits <sup>7</sup>	\$0 - \$2,000	Lump sum	As incurred	Third party suppliers

<b>Type of Expenditure<sup>1</sup></b>	<b>Amount (Est. Low Range – High Range)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Training Expenses <sup>8</sup>	\$1,000 - \$2,000	As agreed	As incurred	Third party suppliers
Opening Advertising <sup>9</sup>	\$1,000 - \$2,000	As agreed	As incurred	Third party suppliers
Initial Inventory Package <sup>10</sup>	\$21,500 – \$38,900	Lump sum	Before Opening	Us or our affiliate
Exterior Signage <sup>11</sup>	\$1,000 - \$2,000	Lump sum	As incurred	Third party suppliers
Local Marketing <sup>12</sup>	\$6,000	Lump sum	As incurred	Third party suppliers
Additional Funds - 3 months <sup>13</sup>	\$18,000 - \$31,000	As agreed	As incurred	Third party suppliers, us or our affiliates
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>14</sup></b>	\$67,000 - \$115,900			

**YOUR ESTIMATED INITIAL INVESTMENT FOR A SINGLE MATTRESS AND SOFA BUSINESS**

<b>Type of Expenditure<sup>1</sup></b>	<b>Amount (Est. Low Range – High Range)</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>	\$15,000	Either Lump sum or via promissory note	At signing of Franchise Agreement	Us
Building Lease - 3 Month's Rent <sup>2</sup>	\$9,000 - \$25,000	As agreed	As agreed in lease or sublease	Third party landlord
Leasehold Improvements <sup>3</sup>	\$0 - \$2,500	As agreed	As incurred	Third party contractors or landlords
Cash Register, Credit Card Processing machines, Computer Systems <sup>4</sup>	\$0- \$2,000	As agreed	As incurred	Third party suppliers
Furniture (non-inventory), Fixtures and Equipment <sup>5</sup>	\$0 - \$1,000	As agreed	As incurred	Third party suppliers

Type of Expenditure <sup>1</sup>	Amount (Est. Low Range – High Range)	Method of Payment	When Due	To Whom Payment is to be Made
Phones, Other Miscellaneous Items <sup>6</sup>	\$500 - \$1,500	As agreed	As incurred	Third party suppliers
Security Deposits <sup>7</sup>	\$0 - \$2,000	Lump sum	As incurred	Third party suppliers
Training Expenses <sup>8</sup>	\$1,000 - \$2,000	As agreed	As incurred	Third party suppliers
Opening Advertising <sup>9</sup>	\$2,000 - \$4,000	As agreed	As incurred	Third party suppliers
Initial Inventory Package <sup>10</sup>	\$46,500 - \$62,400	Lump sum	Before Opening	Us or our affiliate
Exterior Signage <sup>11</sup>	\$1,000 - \$2,000	Lump sum	As incurred	Third party suppliers
Local Marketing <sup>12</sup>	\$9,000	Lump sum	As incurred	Third party suppliers
Additional Funds - 3 months <sup>13</sup>	\$42,000 - \$74,000	As agreed	As incurred	Third party suppliers, us or our affiliates
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>14</sup></b>	\$126,000–\$202,400			

<sup>1/</sup> None of the expenditures described above in each table are refundable under any circumstances unless you negotiate the right to a refund with third-party suppliers to whom such payments are owed. All expenditures listed in the table above refer to costs for new franchisees and not for RSS Dealers converting to a BoxDrop Business. Please see the chart below which sets for the initial costs for an RSS Dealer to convert to a BoxDrop Business. As noted in Item 5, we offer Qualified Veterans a ten percent (10%) discount on the Initial Franchise Fee (for a fee in the amount of \$13,500). That is not reflected in the tables above.

<sup>2/</sup> The typical BoxDrop Business is located in a multi-unit, warehouse-style building. The typical BoxDrop Business for a Mattress Only Business consists of approximately 1,200 – 2,500 interior square feet with the capability of receiving deliveries from a semi-trailer truck at the location. The typical BoxDrop Business for a Mattress and Sofa Business consists of approximately 4,000 – 7,000 interior square feet with the capability of receiving deliveries from a semi-trailer truck at the location. The table for a Mattress Only Business represents the estimated annual rent costs for the premises for your BoxDrop Business in the range from approximately \$10.20 to \$16.00 per square foot per year based upon a typical Mattress Only Business of 1,200 – 2,500 square feet. The table for a Mattress and Sofa Business represents the estimated annual rent costs for the premises for your BoxDrop Business in the range from approximately \$10.20 to \$16.00 per square foot per year based upon a typical Mattress and Sofa Business of 4,000 – 7,000 square feet. Real property rental costs, including amounts charged for rent, security deposits, utilities, taxes, insurance, and

additional rent fees, vary considerably from market to market and depend upon a wide range of factors, including the BoxDrop Business' size, condition, location, and demand for the premises among prospective lessees. Because of the numerous variables that affect the value of a particular piece of real estate, it is hard to accurately determine this initial investment. The estimates provided are our best estimate of the costs based upon national trends in commercial real estate pricing of obtaining the real property suitable for your BoxDrop Business.

You might choose to purchase, rather than lease, real estate on which a building suitable for the BoxDrop Business already is constructed or could be constructed. You may also choose a build-to-suit lease model, where significant portions of the leasehold improvements are paid to the landlord as additional base rent. Real estate costs depend on many factors, including location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular piece of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the BoxDrop Business.

3/ BoxDrop Businesses are required to reflect our particular design specifications and therefore some leasehold improvements may be necessary for your premises, depending upon the type of location you select and its condition. The figure within the Mattress Only Business table represents our estimate of your costs for the construction build-out and leasehold improvements of a Mattress Only Business based upon \$10.20 per square foot to \$16.00 per square foot per year for a typical BoxDrop Business located in a warehouse-style building and leasing 1,200 – 2,500 square feet. The figure within the Mattress and Sofa Business table represents our estimate of your costs for the construction build-out and leasehold improvements of a Mattress and Sofa Business based upon \$10.20 per square foot to \$16.00 per square foot per year for a typical BoxDrop Business located in a warehouse-style building and leasing 4,000 – 7,000 square feet. The cost for a build-out of your BoxDrop Business will vary depending on which type of BoxDrop Business you select, the BoxDrop Business' size, the condition of the location before you assume possession, current configuration of the leased premises facilities (i.e. HVAC, electrical, and plumbing), the market in which the BoxDrop Business will operate, and the terms of your lease agreement which you are able to negotiate. Your ability to negotiate landlord contributions or allowances for your leasehold improvements will substantially impact your initial investment. Your total net cost to build-out your BoxDrop Business may be significantly impacted by the level of tenant improvement allowances you negotiate and receive from your landlord. Actual costs, if any, will depend on location, the condition of the premises being leased, economic factors, availability of financing, and your BoxDrop Business' size. Additionally, you may not have to pay any out of pocket costs for leasehold improvements, depending on (i) your lease terms, as your landlord may cover some or all of these costs, or (ii) the condition of the premises when you assume possession, as its current state may satisfy our particular design specifications.

4/ Cash registers are not required to operate the BoxDrop Business, but you will be required to have a device or application for processing credit card purchases. If you already have

such a device or software application to process credit card purchases, you will not be required to purchase one. You will also need to have access to a computer and the internet.

5/ You are not required to equip the BoxDrop Business with particular furniture, fixtures, and equipment. However, we do require that you have a desk and at least two chairs for customers in the Business. These amounts reflect our estimate to purchase such furniture new, however, since we do not mandate any particular set of desks and waiting chairs, you could use furniture which you currently own, keeping this cost at \$0. We do not require that you provide delivery of your inventory to customers upon a sale. Therefore there is no requirement that you purchase or lease a delivery truck as a piece of equipment for your business operations. However, you may desire to provide delivery of your inventory to customers, and therefore you may decide to contract with third party delivery vendors to provide such services. The costs of such delivery services can vary among vendors and we do not designate or require certain vendors. You may choose to pass the cost of such delivery services to your customers. We reserve the right to designate required vendors for the delivery services to your customers.

6/ We do not require that you have a land-line telephone at the BoxDrop Business, however, you are required to have a cellular phone for all calls related to the operation of the BoxDrop Business. The phone number associated with the cell phone for your BoxDrop Business will be owned by us, and in the event of termination or expiration of the Franchise Agreement, you will be required to transfer the number to us. This figure includes amounts for business licenses, legal and accounting expenses, utility costs, and pre-opening payroll.

7/ Some landlords may require you to pay a security deposit as collateral for payment of the lease obligations. However, you may be able to negotiate out of paying a security deposit. Additionally, if you own the real estate where your Business is operated, you may not be required to pay a security deposit for use of the premises.

8/ Expenses associated with attendance at our mandatory Initial Training and other training sessions by you and your employees, including, without limitation, travel, meals, lodging and labor costs. These expenses are paid to third parties, including to your employees for their wages covering the time to attend training. The amounts listed above reflect the costs and expenses estimated between \$500 to \$1,000 per attendee for two individuals for the Initial Training program. Although we currently do not do so, we may in the future charge a tuition fee for conducting training for additional or replacement managers and for conducting on-going training. (See Item 11).

9/ In operating the BoxDrop Business, you must comply with the marketing procedures, processes and techniques we specify from time to time. We do not mandate that you conduct a grand opening campaign. The amounts shown are estimates of the amounts which you can expect to pay prior to opening in order to purchase space for advertising that will begin to run when you open the BoxDrop Business and for the costs of any opening banners that you purchase from third parties.

- 10/ Inventory of Products for sale to your customers is purchased from us or, at our option, from our affiliate. Unless you are a current RSS Dealer converting an existing retail business, you are required to purchase an initial inventory package from us. The type of BoxDrop Business you select will determine the amount of the initial inventory package. See Item 5 above for more detail on the Mattress Initial Inventory Package and the Sofa Initial Inventory Package. The amount you spend on ongoing inventory will depend on factors such as the size of your BoxDrop Business, the region of the country in which your BoxDrop Business is located, the effectiveness of your advertising, the type of market in which your BoxDrop Business is located (for example, urban vs. rural), the demographic characteristics of your Territory, and your available operating capital. If you are an RSS Dealer and converting your existing retail business into a BoxDrop Business, you will not be required to purchase either the Mattress Initial Inventory Package or the Sofa Initial Inventory Package before you convert, and you will not be required to purchase any amount of inventory of Products for your BoxDrop Business before it is converted and operating if you have an adequate inventory levels of Product at your retail business to meet customer demands.
- 11/ You will also need to purchase and display exterior signage for your location displaying the BoxDrop name and logo. All exterior signage must comply with our specifications in the Operations Manual. The cost of your sign will depend upon many factors, including the sign's size and features, as well as any specific local laws or ordinances regarding signs. You are required to obtain the signage requirements, if any, from the landlord of your facility, if you lease your premises, and comply with such requirements in addition to all local zoning and building codes. The estimated cost of the exterior signage does not include any additional costs incurred in complying with your landlord and/or local zoning requirements.
- 12/ You are required to spend \$2,000 per month on advertising efforts to advertise and promote your Mattress Only Business. You are required to spend \$3,000 per month on advertising efforts to advertise and promote your Mattress and Sofa Business. This estimate is for the first three (3) months of operation for either type of BoxDrop Business. See Item 11 below for more detail on advertising efforts.
- 13/ This item estimates your initial start-up expenses (other than the items identified separately in the table) before the opening of your BoxDrop Business and an initial period of 3 months of operation, including miscellaneous supplies, additional Product inventory beyond the initial inventory package, equipment, janitorial services, payroll costs (but not any draw or salary for you), advertising and other miscellaneous costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses in starting to operate your BoxDrop Business. To compile the estimate for additional funds, we relied on RSS's experience in operating their business locations and assisting both franchisees and RSS Dealers to open their retail businesses since 2013. You should review these figures carefully with a business advisor before deciding to become a franchisee and acquire the franchise.

<sup>14/</sup> We do not offer financing directly or indirectly for any part of the initial investment, other than the payment of the Initial Franchise Fee.

**ESTIMATED INITIAL INVESTMENT UNDER DEVELOPMENT RIGHTS AGREEMENT**

If you sign a Development Rights Agreement, you will pay a Development Fee equal to 100% of the Initial Franchise Fee (\$15,000) for the first BoxDrop Business to be developed plus Seven Thousand Five Hundred Dollars (\$7,500) for each additional BoxDrop Business you agree to develop during the term of the Development Rights Agreement. The Development Fee, which is not refundable under any circumstances and is fully earned by us when it is paid, is due in full when you sign any Development Rights Agreement. Except for the Development Fee and working capital that you initially might need to begin looking for acceptable sites, no initial investment is required to begin operating under the Development Rights Agreement.

**RSS DEALER ESTIMATED INITIAL INVESTMENT TO  
CONVERT TO A MATTRESS ONLY BUSINESS**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount (Est. Low Range – High Range)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee	\$0	N/A	N/A	N/A
Leasehold Improvements (see Note 2 above)	\$0 - \$2,500	As agreed	As incurred	Third party contractors or landlords
Furniture (non-inventory), Fixtures and Equipment	\$0 - \$1,000	As agreed	As incurred	Third party suppliers
Cash Register, Credit Card Processing machines, Computer Systems (see Note 3 above)	\$0- \$2,000	As agreed	As incurred	Third party suppliers
Training Expenses	\$0	N/A	N/A	N/A
Exterior Signage	\$1,000 - \$2,000	Lump sum	As incurred	Third party suppliers
Local Marketing (see Note 10 above)	\$6,000	Lump sum	As incurred	Third party suppliers
Additional Funds - 3 months (see Note 12 above)	\$18,000 - \$31,000	As agreed	As incurred	Third party suppliers, us or our affiliates

Type of Expenditure	Amount (Est. Low Range – High Range)	Method of Payment	When Due	To Whom Payment is to be Made
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	\$25,000 - \$44,500			

**RSS DEALER ESTIMATED INITIAL INVESTMENT TO CONVERT TO A MATTRESS AND SOFA BUSINESS**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount (Est. Low Range – High Range)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$0	N/A	N/A	N/A
Leasehold Improvements (see Note 2 above)	\$0 - \$2,500	As agreed	As incurred	Third party contractors or landlords
Furniture (non-inventory), Fixtures and Equipment	\$0 - \$1,000	As agreed	As incurred	Third party suppliers
Cash Register, Credit Card Processing machines, Computer Systems <sup>(see Note 3 above)</sup>	\$0- \$2,000	As agreed	As incurred	Third party suppliers
Training Expenses	\$0	N/A	N/A	N/A
Exterior Signage	\$1,000 - \$2,000	Lump sum	As incurred	Third party suppliers
Local Marketing <sup>(see Note 9 above)</sup>	\$9,000	Lump sum	As incurred	Third party suppliers
Additional Funds - 3 months <sup>(see Note 11 above)</sup>	\$42,000 - \$74,000	As agreed	As incurred	Third party suppliers, us or our affiliates
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	\$52,000 - \$90,500			

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### Required Purchases: Inventory of Products.

You must purchase all Products and inventory you sell, and all other items for resale, through your BoxDrop Business from us, or if we designate, from our affiliates. BoxDrop Businesses only sell items which are private label items or items which comply with our specifications and which can only be procured through certain designated manufacturers and suppliers with whom our affiliate, RSS, has established production and supply relationships. We do not provide criteria for approving suppliers or specifications for Products or any other type of mattress, home furnishing or otherwise to be sold in your BoxDrop Business. We have imposed these requirements to assure quality and uniformity of services and products across the BoxDrop Businesses. Currently, you will place your orders for Product inventory with us (or an affiliate), and we will, in turn, procure the ordered items from approved manufacturers and suppliers, which may be us or our affiliates, and the Product will be delivered directly to your BoxDrop Business. You are not permitted to purchase directly from any manufacturer or supplier any Products that you hold in inventory or otherwise for sale to customers of your BoxDrop Business. We and/or our affiliate are the only approved supplier for the Product and inventory that you offer for sale in your BoxDrop Business. We reserve the right to designate other vendors, including our affiliates, to provide or sell to you Products in the future. We and our affiliates will derive revenue from your inventory orders and from purchases of Products that we make in order to fill your inventory orders.

During the initial twelve (12) months of operation of your BoxDrop Business, starting upon the date of your grand opening (the “**Grace Period**”), you will be required to make a minimum of Seventy-Five Thousand Dollars (\$75,000) in annual purchases of Product from us (or our affiliate). Following the Grace Period, you will be required to make a minimum of One Hundred Thousand Dollars (\$100,000) in annual purchases of Product from us (or our affiliate) during the next succeeding twelve-month period. Beginning on the twenty-fifth (25<sup>th</sup>) month of operation of your BoxDrop Business, you will be required to make a minimum of Two Hundred Thousand Dollars (\$200,000) in annual purchases of Product from us (or our affiliate) (the “**Minimum Purchasing Amount**”) for each succeeding twelve-month period. You must meet the Minimum Purchasing Amount each year following the initial twenty-four months of operations of your BoxDrop Business. We reserve the right to change the Minimum Purchasing Amount from time to time. If you fall below the Minimum Purchasing Amount, we will place you on a Performance Improvement Program (as defined in the Franchise Agreement) which we will design with you to assist you in more successfully selling Products which, in turn, will aid you in meeting the Minimum Purchasing Amount. If you fail to achieve the Minimum Purchasing Amount after completion of the Performance Improvement Plan, you will, at our discretion, lose the protected rights over your Territory or have your territory reduced in size. If you continue to fail to meet the Minimum Purchasing Amount after the loss of your protected territory, we may terminate your Franchise Agreement. Additionally, if you fail to order Products from us or our affiliates for six (6) consecutive weeks, or if you fail to place orders of at least \$3,000 worth of Products per month from us or our affiliates, we may reduce the size of your Territory in our discretion.

We offer a range of Products to our franchisees, including but not limited to bedding and related products, sofas, bedroom furniture, and living room furniture. Currently, upon execution of the Franchise Agreement, you are only permitted to purchase bedding and related products from us. Each Initial Inventory Package will be materially similar among the BoxDrop Businesses. However, once a franchisee meets the criteria in our Operations Manual to advance to the next step of Product offering (a process that includes minimum Product Orders), you may begin selling sofas, bedroom furniture, and/or living room furniture that we (or an affiliate) offer and sell to you. No franchisee is required to offer the home furnishings or additional furniture once they have satisfied the criteria. We reserve the right to modify the criteria and the available Products in the future.

We continually review and evaluate vendors and suppliers for our franchise system. We approve those who are able to meet our standards and specifications, who possess adequate quality controls, and who have the capacity to supply our needs and the needs of our franchisees promptly and reliably. Our general criteria for supplier approval is not available to our franchisees. If you desire to purchase any items from an unapproved supplier, you must notify us in writing and secure our prior consent. We are not required to consider any requests to change suppliers or to approve other suppliers for any inventory or Products. If an exclusive vendor already has been designated for the products proposed to be offered by a new supplier, any request for a new vendor likely will be rejected without further review or investigation. We do make available to you our criteria for selecting a new vendor or supplier.

We and our affiliates make no warranties to you concerning any of the Products. Warranties from the manufacturer of the Products will be passed through to you where possible. You agree to initiate and process all warranty claims solely through us, and we will process them on your behalf with the manufacturer or vendor. However, you recognize and agree that responsibility for all such claims rests with and shall be asserted against the manufacturer or vendor and not against us or our affiliates. All Products are sold “AS IS” by us or our affiliates. We and our affiliates expressly disclaim all warranties, either express or implied, including any implied warranties of merchantability or fitness for a particular purpose, and neither assumes nor authorizes any other person to assume for it any liability in connection with the sale of any Products.

### **Required Purchases: Insurance.**

You are required throughout the term of the Franchise Agreement to maintain certain minimum amounts and types of insurance coverage as we specify in the Operations Manual or on our website or as we otherwise specify from time to time.

Currently, we require that, at a minimum, you must maintain the following types and minimum amounts of insurance coverage: commercial general liability — bodily injury and property damage (\$1 million per occurrence), including products/completed operations (\$2 million general aggregate); automobile liability — any owned vehicles and vehicles used to provide delivery of Products to customers (\$1 million per accident, which is a separate limit from the general liability limit that includes delivery operations); and workers’ compensation — in compliance with state and local laws. The minimum coverages we specify are for our benefit and

are not intended to be relied upon by you as a recommendation as to the types of coverage and coverage limits which are or might be appropriate for your particular business or circumstances. Additional coverage and limits might be appropriately based, for example, on the location of your BoxDrop Business and the amount of inventory you carry, and we encourage you to consult your insurance advisor regarding such additional coverage. All insurance policies must name us and any affiliates that we designate as additional insureds and give all of us at least 30 days' prior written notice of termination, amendment, or cancellation. You also must provide certificates of insurance evidencing your insurance coverage in compliance with these minimums no later than 10 days before your BoxDrop Business opens and each year when your policies renew or as policies are amended or replaced. You may purchase your insurance from any carrier you prefer. We do not have a preferred or required insurance carrier you must use. Neither we nor our affiliates derive revenue from your purchases of insurance.

### **Required Purchases: Non-Inventory Items.**

Currently, we do not designate specific suppliers for non-inventory non-Product items, but we reserve in the Franchise Agreement the right to designate and approve vendors for all items and services used in the operation of the BoxDrop Business, including vendors of non-inventory furniture, fixtures, equipment, supplies and other items and services. Additionally, we currently do not require you to offer delivery services of the Products to your customers. However, we reserve the right to require you to provide such services, and we may, at our option, require to you to use designated required vendors for such services. If we exercise our right to approve or designate such vendors, we will provide you with 30 days' notice, and you will then be required to purchase items only from those approved or designated suppliers which may, at our option, be us or our affiliates.

### **Computer Hardware, Software and Cash Register Purchases**

You are required to have a computer system with high speed internet access, however we do not require any specific make, model, or brand of computer for use in your BoxDrop Business. Additionally, if you have a computer which can process files in PDF, Microsoft Word and Microsoft Excel prior to executing a franchise agreement, we will not require you to purchase a new computer. We also require that you use a particular software program for the Business, the identity of which is in the Operations Manual. You are required to use the software we designate for the ordering of products and inventory and sales to your customers. We do not own the required software and you will acquire the license to use such software directly from our approved vendor..

### **Revenue from Franchisee Purchases.**

As noted above, we and our affiliates may receive revenue directly from sales to franchisees of required products or services, including in the form of mark-ups on Products you purchase from us or our affiliates. In addition, we and our affiliates have the right to receive payments, discounts or other consideration from affiliated and unaffiliated suppliers on account of their actual or prospective dealings with you and other franchisees and to use the amounts received without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate. We and our affiliates negotiate purchase arrangements with

suppliers for the benefit of Our System, which may include volume discounts. We currently receive discounts from certain mattress vendors when we or our affiliates purchase Products from them. These fees and discounts are typically based on volume of purchases we or our affiliates make from the vendor and the speed at which we or our affiliates pay the vendor for the products purchased (that is, an early pay discount). Currently, we or our affiliates have arrangements with mattress vendors for discounts generally ranging from 2% to 5% per order. Additionally, an approved credit vendor company which you may establish an account for the benefit of your retail customers provides us with rebates for each purchase by one of your customers. We may make similar arrangements with other vendors. However, prices we or our affiliates charge you for those purchases might not take those discounts into account. We and our affiliates also reserve the right to receive other payments or benefits from vendors for products purchased through these and similar negotiated agreements. The vendor's willingness to pay us and/or our affiliates fees or provide discounts on purchases we make may be a condition for approving a supplier. During our 2023 fiscal year, we received \$0.00 from suppliers and vendors as kick-backs or rebates based on franchisee purchases from those suppliers, which was 0% of our total revenue.

During our 2023 fiscal year, our total revenues from selling Products and providing services to franchisee was \$23,206,430.46, which represents 99% of our total accrued revenue for the 2023 fiscal year, which was \$23,399,297.46. None of our affiliates received any revenue from selling products or providing services to franchisees in 2023. We calculated these figures from our audited financial statements.

We estimate that the cost of your purchases from designated or approved suppliers, or according to our standards and specifications, will range from 40% to 76% of the total cost of establishing, and approximately 60% to 80% of the total on-going cost of operating, your BoxDrop Business.

### **Cooperatives.**

There currently are no purchasing or distribution cooperatives within Our System.

### **Relationships with Suppliers.**

Certain of our officers own an interest in RSS and Sapphire. Other than as just disclosed in the previous sentence, none of our officers own a material interest in any of our suppliers or the suppliers or vendors we require you to use for your BoxDrop Business.

### **Negotiated Prices.**

We negotiate supply agreements (including the price terms) with manufacturers and suppliers of Products and manage the relationships with those companies. We purchase Products from various vendors and, in turn, sell them to you.

### **Material Benefits.**

Other than the continued right to operate a BoxDrop Business, we do not provide any other

material benefits to franchisees for using us, our affiliates, or other designated or approved suppliers for the BoxDrop Business.

**Development Rights Agreement**

To propose a site for a BoxDrop Business, you will send us a complete site report and other materials demonstrating your (or your Affiliate’s) financial and operational ability to develop the site. Except as described in this paragraph, the Development Rights Agreement does not require you to buy or lease from us or designated or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate or comparable items related to establishing or operating your business under the Development Rights Agreement. However, the Franchise Agreement’s requirements apply for each BoxDrop Business you develop.

**ITEM 9**

**FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Franchise Disclosure Document Item</b>
(a) Site selection and acquisition/lease	Franchise Agreement Sections 3.A., 3.B, and 3.C; Development Rights Agreement Section 3, 6	7 and 11
(b) Pre-opening purchases/leases	Franchise Agreement Sections 3.C, 3.D and 7.A	7, 8, and 11
(c) Site development and other pre-opening requirements	Franchise Agreement Section 3; ; Development Rights Agreement Section 6	7, 8, 11, and 12
(d) Initial and ongoing training	Franchise Agreement Sections 3.C and 5	11
(e) Opening	Franchise Agreement Section 3.D	7, 11
(f) Fees	Franchise Agreement Sections 2.C, 4, 7.C, 9.C, 9.D, 9.E, 11, 12.C, 13.A(2) and 16.D; Development Rights Agreement Section 4	5, 6, 7, 8 and 10

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Franchise Disclosure Document Item</b>
(g) Compliance with standards and policies/Operations Manual	Franchise Agreement Sections 5.C and 8	7, 8, 11, and 12
(h) Trademarks and proprietary information	Franchise Agreement Section 6; Development Rights Agreement Section 9	11, 13, and 14
(i) Restrictions on products/services offered	Franchise Agreement Sections 7 and 8	8, 11, 12, and 16
(j) Warranty and customer service requirements	Franchise Agreement Section 7.D	8 and 11
(k) Territorial development and sales quotas	Franchise Agreement Sections 2.A and 2.C, and 14.B; Development Rights Agreement Sections 3, 5, 8	8 and 12
(l) On-going product/service purchases	Franchise Agreement Section 7	8 and 11
(m) Maintenance, appearance, and remodeling requirements	Franchise Agreement Section 8.A	7, 11, and 17
(n) Insurance	Franchise Agreement Sections 3.C and 15.D	8
(o) Advertising	Franchise Agreement Section 9	6, 7, 8, 11, 12, 13, and 14
(p) Indemnification	Franchise Agreement Sections 7.D and 15.C; Development Rights Agreement Section 12	6
(q) Owner's participation/management/staffing	Franchise Agreement Sections 8.A and 8.C	11 and 15
(r) Records/reports	Franchise Agreement Section 10.B	11
(s) Inspections/audits	Franchise Agreement Sections 10.A and 10.B	6 and 11
(t) Transfer	Franchise Agreement Section 12; ; Development Rights Agreement Section 11	6 and 17

Obligation	Section in Franchise Agreement	Franchise Disclosure Document Item
(u) Renewal	Franchise Agreement Section 13; ; Development Rights Agreement Section 2	6 and 17
(v) Post-termination obligations	Franchise Agreement Sections 14.D, 14.E and 14.F	6 and 17
(w) Non-competition covenants	Franchise Agreement Sections 11 and 14.E; ; Development Rights Section 12	6 and 17
(x) Dispute resolution	Franchise Agreement Section 18; ; Development Rights Agreement Section 12	17

### **ITEM 10**

### **FINANCING**

We currently offer a financing plan for the payment of your Initial Franchise Fee. The terms of the financing plan are as follows:

Item Financed	Source of Financing	Down Payment	Amount Financed	Term (yrs)	Interest Rate	Monthly Payment	Security Required	Default Liability	Loss of legal rights
Initial Franchise Fee	Us	\$3,000	Remaining Balance (\$12,000 or \$10,500 for qualified veterans)	12 monthly installments	Then current monthly Applicable Federal Rate for short term loans  10% Default Rate	\$1,000 + interest (or \$875 + interest for qualified veterans)	Personal Guaranty	Default of Franchise Agreement – loss of Franchise  Default Interest Rate  Acceleration of amounts due	Waiver notice

Other than a personal guaranty from you, or the owners of the franchisee, if you are an entity, we will not require any additional security for the performance of the Promissory Note. We will not require a security interest in your assets or your franchised BoxDrop Business. The debt

obligation underlying the Promissory Note will not be personally guaranteed by your spouse, or the spouses of your owners, if you are an entity.

Upon default of the Promissory, we may accelerate payment of the entire amount outstanding and such amounts, along with all attorney's fees and our costs, will be due and owing. Additionally, a default of the Promissory Note will be a cross default of the Franchise Agreement, which if not cured, could result in the loss of your franchise.

It is not our practice to sell, assign or discount to a third party all or part of the financing arrangement under the Promissory Note and we have no plans to do so.

## **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 open your BoxDrop Business, we will perform for you the services listed below.

1. Designate your franchise Territory (Franchise Agreement, Section 1.A, Exhibit A)
2. Grant you access to the Operations Manual and our online dealer system website, which includes appropriate updates and revisions to the Operations Manual, which will cover the BoxDrop Business' System Standards (as defined below) and marketing techniques. (Franchise Agreement, Section 4.C). We described our Operations Manual in greater detail below.

Except for those RSS Dealers who are converting their existing businesses into BoxDrop Businesses, we will also perform the following services:

3. Give you specifications for the BoxDrop Business' Approved Site if you do not have an Approved Site when you sign the Franchise Agreement. Approval of any proposed site is based on information you submit in a form sufficient for us to assess the location. While we may provide you with certain third-party demographic information regarding the market area around your proposed site, you are responsible for compiling the information necessary for us to evaluate your site (Franchise Agreement, Section 3.A). We currently do a cursory review of your proposed lease, but our primary interest is in making certain that you have the right to occupy the BoxDrop Business' premises and that you can receive product deliveries there. We do not currently negotiate or provide assistance with negotiating your lease nor do we approve your lease prior to execution, but we reserve the right to do so. (Franchise Agreement, Section 3.B)

4. Review and approve your BoxDrop Business Approved Site. (Franchise Agreement, Section 3.A)

5. Give you advice regarding the build-out, interior design, layout, floor plan, signs, design, color, and decoration of the BoxDrop Business' premises. We do not provide standard build-out plans and specifications but we will provide you with a merchandise schematic for your BoxDrop Business. While we provide advice on such items, we do not assist you in the construction, remodeling or decorating of your BoxDrop Business. (Franchise Agreement, Sections 2.C and 7.E)

6. Provide you with the Initial Training Program (as defined below) that may last up to 3 days to be held at one of our approved furnishing and bedding businesses or at a location that we designate. (Franchise Agreement, Section 4.A)

7. Provide you with the list of the Initial Inventory Package and sell to you the Initial Inventory Package of Products. (Franchise Agreement, Sections 2.C and 6). We do not deliver or install your Initial Inventory Package of Product or other supplies for your BoxDrop Business. The manufacturer of the Initial Inventory of Products will handle delivery of the products and you will be responsible for installing and setting up your BoxDrop Business.

For those signing the Development Rights Agreement, the following services:

8. Determine the Development Schedule and Development Territory. We also will review sites and the operational and financial qualifications of any Affiliated Entities (as defined herein) you propose and typically will notify you of our acceptance within ninety (90) days after receiving the site materials we request. We describe our site review and acceptance procedures earlier in this Item.

9. Grant you (or your approved Affiliated Entities) franchises to operate BoxDrop Businesses at accepted sites in the Development Territory provided you are in compliance with the Development Rights Agreement and each Franchise Agreement between you (or your approved Affiliated Entity) and us. You or the approved Affiliated Entity must sign our then current form of franchise agreement and related documents for each subsequent BoxDrop Business developed according to the Development Schedule, the terms of which may differ substantially from those in the Franchise Agreement attached to this disclosure document.

### **Continuing Assistance.**

During the operation of your BoxDrop Business, we will perform for you the services listed below.

1. If you request, provide telephone consultation regarding the continued operation and management of your BoxDrop Business and advice regarding Products, sales and operations techniques, customer relations, and similar matters, including access to a regional division business coach. (Franchise Agreement, Section 4.A)

2. Give you access to advertising and promotional materials developed for Our System, the cost of which may be passed on to you, and review the advertising, promotion, marketing, public relations or telemarketing programs or campaigns which you propose to use for the BoxDrop Business. (Franchise Agreement, Section 8.A)

3. Provide you, as deemed necessary, ongoing updates of information and programs regarding Products, the BoxDrop Business business, and Our System, including information about special or new services, products or methods of operation developed for the System and made available to franchisees. (Franchise Agreement, Section 4.C)

4. Make reasonable efforts under the circumstances to fill and ship as soon as commercially practical each of your orders for Products, subject to certain limitations. (Franchise Agreement, Section 6.B)

5. Process on your behalf warranty claims against manufacturers with respect to defective Products. (Franchise Agreement, Section 6.D)

6. Let you use our Marks. (Franchise Agreement, Section 5.A)

7. Let you use our copyrighted materials. (Franchise Agreement, Section 5.E)

8. In our sole discretion, maintain and administer one or more websites, mobile applications, social media accounts and other online presences to advertise, market and promote BoxDrop Businesses and the Products and services that they offer and sell (each a “**System Website**”). (Franchise Agreement, Section 9.B) We describe the System Website below. While we may offer this System Website, there is no express obligation for us to conduct advertising for the BoxDrop franchise system or your individual Business on the System Website.

9. Periodically and at our option offer refresher training courses and provide you access with various video tutorials regarding the operation of the BoxDrop Business. (Franchise Agreement, Section 4.A)

10. Maintain and administer a formal national marketing fund (the “**National Marketing Fund**”), if we so choose to establish such a fund. (Franchise Agreement, Section 8.D) We describe the National Marketing Fund below. Currently, there is no National Marketing Fund, and therefore, there is no express obligation for us to conduct advertising for the BoxDrop franchise system or your individual Business.

### **Marketing and Promotion.**

You are required to spend certain minimum amounts as we establish from time to time, on a monthly basis, for advertising, marketing and promotion for the Products and your BoxDrop Business in your Territory (the “**Marketing Spending Requirement**”). Currently, we require franchisees that operate a Mattress Only Business to spend at least \$2,000 per month for the Marketing Spending Requirement within their Territory and franchisees that operate a Mattress and Sofa Business to spend at least \$3,000 per month for the Marketing Spending Requirement.

We reserve the right to change the minimum advertising requirements and the Marketing Spending Requirement from time to time. You must initiate local grass-roots advertising campaigns which may include, but is not limited to mailing out flyers, placing advertisements in local newspapers and magazines, community involvement and activities, and running ads and press releases in other forms of local media. All such advertising fees and costs shall be paid directly to third-party advertisers. You are required to keep accurate books and records on the amounts spent on direct local advertising for the Marketing Spending Requirement, and we may request proof that such amounts are being spent each month. Failure to meet the Marketing Spending Requirement and failure to provide proof of the same will be a default of the Franchise Agreement.

We reserve the right to establish both a National Marketing Fund and a Regional Advertising Program into which you will be required to contribute. If we establish a National Marketing Fund or a Regional Advertising Program, we will notify you of its creation and inform you as to the amount which you are required to contribute into each. We cannot require that you contribute more than an amount equal to 2% of the total price of the Products you purchase from us each month to a National Marketing Fund or more than 1% of the total price of such Products to a Regional Advertising Program; however, we reserve the right to re-direct contributions from the National Marketing Fund to a Regional Advertising Program and vice versa. All BoxDrop Businesses owned by us or our affiliates must also pay into the funds on an equal basis with all franchised Businesses. We reserve the right, at any time, to increase or decrease your required contribution to either fund as long as you are not required to contribute more than the maximum allowed amount described above and in Item 6. Because the funds will not be audited, audited financial statements are not available to franchisees. We have the right to collect for deposit into the National Marketing Fund any advertising, marketing, or similar allowances that suppliers who deal with us or the BoxDrop Businesses pay to us and instruct us to use for advertising or marketing purposes.

We or our affiliates will administer and control the funds, if established. We will designate all programs that the National Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The funds will be used to create, produce, and place advertising, in-store signs, in-store promotions, and commercial advertising; to pay agency costs and commissions; to create and produce video, audio, and written advertisements; to administer multi-regional advertising programs, including direct mail and other media advertising; to employ advertising agencies and in-house staff assistance; and to support public relations, market research, and other advertising and marketing activities. The advertising may be disseminated on the internet, in print, and on television or radio for local, regional or national circulation. The funds will not be used for direct solicitation of franchisees. The National Marketing Fund periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost and will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling, and storage charges. We will not provide financial statements of the National Marketing Fund or make them available to franchisees for review.

We will account for the National Marketing Fund and the Regional Marketing Fund

separately from our other funds. The National Marketing Fund and the Regional Marketing Funds are not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the National Marketing Fund or any other reason. We may be reimbursed from the funds for administrative costs, salaries, and overhead expenses related to administering the funds and their marketing programs, including conducting market research, preparing material, and collecting and accounting for fund contributions. In any fiscal year, the funds may spend more or less than the aggregate contribution by all BoxDrop Businesses to the funds in that year. We may, but will not be obligated to, make additional investments into the funds to supplement the efforts and resources of the funds. The funds may also borrow from us (at commercially reasonable rates) or third party lenders to cover deficits or invest any surplus for future use. Any amounts that remain in the funds at the end of each year accrue and are applied toward the next year's expenses. The funds will not be our or any affiliate's asset. If a National Marketing Fund or Regional Marketing Fund is established, we will prepare an annual unaudited statement collection and costs for each fund and give it to you upon written request.

The funds, if established, will be intended to maximize recognition of the Marks and patronage of BoxDrop Businesses either generally or in the region covered by a Regional Marketing Fund. Although we or our affiliates will try to use the funds to develop advertising and marketing materials and programs and to place advertising and marketing that will benefit all franchisees, they need not ensure that fund expenditures in or affecting any geographic area are proportionate or equivalent to fund contributions by BoxDrop Businesses operating in that geographic area or that any franchisee benefits directly or in proportion to its fund contribution from the development of advertising and marketing materials or the placement of advertising. We will have the right, but not the obligation, to deposit into the funds any advertising, marketing, or similar allowances paid by suppliers. (See Item 8). We assume no other direct or indirect liability or obligation to you for collecting amounts due to or maintaining, directing, or administering, any advertising account.

We may use collection agents and institute legal proceedings to collect fund contributions at the appropriate fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the funds. We may at any time waive, defer, or reduce a franchisee's contributions and, upon 30 days' prior written notice to you, reduce or suspend fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the funds. If a fund is terminated, we will distribute all unspent monies to the contributors in proportion to their respective fund contributions during the preceding 12-month period.

You may create your own advertising and promotion materials; however, all your advertising and promotion must be in approved media and formats, be conducted in a dignified manner, and conform to our standards and requirements. You may not use any advertising or promotional plans or materials which contain any Mark until you receive our written approval. We reserve the right to require you to submit (through the mail, return receipt requested, or by email to [advertising@boxdropdirect.com](mailto:advertising@boxdropdirect.com)), for our prior approval, samples of all advertising and promotional materials that you want to use that we or our affiliates have not prepared or previously approved. Any proposed uses not previously approved by us must be submitted to

us at least 5 business days prior to your proposed use, and any materials which have not been approved by us within 3 business days of our receipt will be deemed to be disapproved.

You must participate in any promotional campaigns and advertising and other programs periodically established or approved for BoxDrop Businesses, whether on a national, regional or local basis. In some instances, while participation is mandatory, we may allow you to participate at different price points (subject to our right to establish maximum pricing). We also may periodically establish maximum prices for Products that your BoxDrop Business offers, and if we do, you may not exceed that price but may charge any lower price you determine. Unless we set maximum prices for Products, you must set your own prices for the Products you sell at your BoxDrop Business. If manufacturers of the Products provide manufacturer suggested retail pricing for their products (MSRP), we will provide such information to you. However, not all manufacturers provide such information and you are not required to use the MSRP. You are free to select your own pricing. Other than providing you any MSRP information from the manufacturers and setting maximum prices for Products in connection with promotional campaigns, we will not provide you with any assistance in setting your market prices.

As of December 31, 2023, we have not created either a National Marketing Fund or a Regional Marketing Fund. Because neither a National Marketing Fund or a Regional Marketing Fund have been formed, there have been no contributions and therefore no operating history. Additionally, there is no express obligation for us to conduct advertising for the BoxDrop franchise system or your individual Business.

We do not have an advertising council composed of franchisees that advise us on advertising policies. We do not require you to participate in advertising cooperatives. We reserve the right in the future to create an advisory council of franchisees to advise up on advertising policies.

We may designate a geographic area in which 2 or more BoxDrop Businesses are located as an area for an advertising cooperative (an “**Advertising Cooperative**”). The Advertising Cooperative’s members will be the owners of all BoxDrop Businesses operating in the defined area, including us and our affiliates, if applicable. We will determine how any Advertising Cooperative is organized and governed, but the Advertising Cooperative’s members are responsible for its administration. The Advertising Cooperative’s members determine contribution levels, subject to our approval, provided, no advertising cooperative will be allowed to charge more than three percent (3%) of a Franchisee’s annual Gross Sales. There is no set minimum that an advertising cooperative must charge its members (if formed). All material decisions of the Advertising Cooperative will require the affirmative vote of 51% of all BoxDrop Businesses operating within the Advertising Cooperative’s area (including those that we and our affiliates operate, if applicable), with each Business receiving one vote, provided, that we will mandate that no cooperative will charge more than three percent (3%) of a Franchisee’s annual Gross Sales as their contribution level. We will not impose our voting power to set a minimum contribution for cooperatives. Advertising Cooperatives must operate from written governing documents and prepare periodic financial statements which are available to the members. We may form, change, dissolve, or merge Advertising Cooperatives. Currently, there are no Advertising Cooperatives.

### **Grand Opening.**

We do not impose a typical grand opening program in which you announce the upcoming opening of your BoxDrop Business. However, we do require that you use and follow our standard marketing program, techniques and strategies in the operation of your BoxDrop Business and comply with the Marketing Spending Requirement which starts on the day you open your BoxDrop Business.

### **Computer Hardware and Software/Cash Register Systems.**

You are required to have access to computer hardware with high speed internet access, have access to a program for accessing any files in PDF, Microsoft Word (.doc), and Microsoft Excel (.xls) or comparable software programs, and also have an email account (collectively, the “**Computer Systems**”) that allows you to access the System Website in order to report required information to us. As long as you have that access (whether inside or outside the Business), we do not require that you purchase a computer for use in the BoxDrop Business. We require that you use particular software for the operation of your BoxDrop Business. You must acquire the software we designate from our preferred and approved vendor and you may not use any other software. If you choose to purchase a computer, you may purchase it from any vendor of your choosing, and it may be a brand and model that you select as long as it has high speed internet access and is capable of running an internet browser and electronic mail.

Currently, we do not require that you use any particular cash register system. However, we reserve the right to do so, in our sole discretion. In the event we require you to use a particular cash register system (“**Cash Register System**”), you will be required to purchase such Cash Register System with all hardware and software specified by us from approved suppliers. The types of business information generated by such Cash Register System is expected to include total daily gross revenues and customer counts, daily gross sales by department, and daily cash and cash equivalent deposit information. The Cash Register System may also provide inventory control and management, and cash register functions integrated with software and high-quality, business-grade computer hardware as a Point-of-Sale solution. All information generated or provided by such Cash Register System is owned by us. We reserve the right to access such Cash Register System at any time, in our sole discretion.

Should you elect to have the required internet access inside your BoxDrop Business, the cost of the computer system will vary depending on the number of workstations, printers/scanners and software programs you desire, the physical layout of the BoxDrop Business and the type of computer you elect to purchase. Should you choose to purchase a computer, due to the various configurations, we estimate that the cost of the system will range from \$500 to \$2,000. As long as the computer maintains the functions described in the first paragraph, there are no required annual recurring charges except for any costs associated with maintaining the electronic mail address should you choose not to establish an email account with a free provider.

We reserve the right to require that you upgrade and/or update the system in order to maintain our requirements for system wide implementation of reporting and online ordering,

and there are no contractual limits on our ability to do so. We do not require that you provide us with access to the computer or the information which is stored on it, and will not have independent access to the such information.

You must pay for all maintenance of your computer, internet access, and local area networks, at your own expense. We do not require you to sign any hardware maintenance or support contracts with us or any third party suppliers. We do not guarantee, warranty, maintain or support any computer hardware in any manner. You should determine for yourself whether or not any third party supplier from whom you purchase any component of your computer hardware is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer hardware, and determine the additional cost for the services.

You need not buy or use any computer system to operate under the Development Rights Agreement, however, each BoxDrop Business you develop thereunder must comply with the foregoing computer system requirements.

### **Operations Manual.**

Exhibit G to this Disclosure Document is the table of contents of the BoxDrop, LLC Operations Manual (the “**Operations Manual**”). This table of contents states the number of pages devoted to each topic and the total number of pages in the Manual. The total number of pages in the current Operations Manual is 162. The Operations Manual contains our standards, specifications, operating procedures and rules that we periodically establish for operating a BoxDrop Business (excluding personnel and security-related policies and procedures) (the “**System Standards**”) and information on your other obligations under the Franchise Agreement. We may modify the Operations Manual periodically to reflect changes in System Standards, but these modifications will not alter your fundamental rights or status under the Franchise Agreement.

### **System Website.**

At our option, we or our designee(s) may establish one or more System Websites which, if created will be maintained by us. You will not be permitted to engage in the sale of Products through the System Website. We may periodically require you to give us information and materials for the System Website. We will own all intellectual property and other rights relating to the System Website, including the domain name, log of “hits” and any data that visitors supply. We may use the National Marketing Fund’s (if created) assets to develop, maintain and update the System Website(s) and may implement and periodically modify System Standards relating to the System Website(s). We also may, at our option, discontinue all or any portion of the System Website(s).

We may, in our sole discretion, create or establish a software program or application that, if created, you would be required to use in the operation of your BoxDrop Business. This software and/or application would allow you to track your retail customer’s purchases and their data. We would have the ability to monitor all information submitted to the software or application. Should such technology be developed by us, you will be required to pay to us a monthly fee for such software, which will not exceed \$200 a month.

Except for using social media according to our System Standards, you may not develop, maintain or authorize any other website, mobile application, other online presence or other electronic medium that mentions or describes you or your BoxDrop Business or displays the Marks. Any advertising account for your business (such as Facebook) must be established by us and have us as its administrator, and you agree to make any payments for advertisements through such account directly to that provider (i.e., Facebook). You may not conduct commerce or directly or indirectly offer or sell products or services using any website, another electronic means or medium, or otherwise over the Internet. However, we may maintain websites and mobile applications other than the System Website and offer and sell Products under the Marks from the System Website, another website or otherwise over the Internet.

### **Site Selection Assistance.**

You are required to find a suitable site location for your BoxDrop Business; we do not select a site for you. The site you propose must be in your Territory. We may approve or disapprove the proposed location according to the terms of the Franchise Agreement and our then-current site selection and approval criteria and procedures. We may use various criteria and procedures to evaluate a location you propose, such as market potential, density of population and projected population growth in the area, average income of residents, competition in the area, other retail businesses, space availability, traffic count, ingress and egress, and lease economics. Additionally, the consideration of whether a delivery truck will be able to access your BoxDrop Business is a major factor in considering a proposed site. These factors and criteria may change from time to time, but our approval for a site will not be unreasonably withheld. If you propose a site and we determine that it does not meet our criteria, it will be rejected, and you will be required to propose an alternative site. We will have a minimum of forty-five (45) days and a maximum of ninety (90) days to review and approve a site proposed by you. If you cannot locate any suitable site which we approve and open the BoxDrop Business within 180 days of the effective date of the Franchise Agreement, we may terminate your Franchise Agreement, however we will not terminate your Franchise Agreement if you are continuing to actively and diligently obtain a suitable location. Once you select and propose a site that we approve, it will be the Approved Site. We do not typically own the real estate for Approved Sites and lease it to franchisees.

While we may provide certain assistance in finding a site for you, we are not obligated to do so, and it is your responsibility to locate suitable premises for your BoxDrop Business. We make no guaranty or assurance that any particular site or area in which you have expressed an interest prior to signing your Franchise Agreement will be available, and your obligations under the Franchise Agreement are not conditioned upon securing any particular site or a site in a particular area. If your BoxDrop Business location is not identified in your Franchise Agreement, you are permitted to search for potential locations only within the defined Territory. You are responsible for conforming the premises of your Approved Site to all local laws and ordinances, we will not assist you in such process.

We may, but are not required to, provide assistance and advice in connection with the negotiation of your lease. We may also review your proposed lease for our benefit to ensure that it meets our minimum requirements. Our approval of your proposed BoxDrop Business

location as well as any advice regarding your lease or approval of your lease are for our sole benefit and the benefit of the System. Our advice or approval is not intended to imply or guarantee the success or profitability of the BoxDrop Business at the particular location. You must not rely on our lease negotiations or site approval for such purposes. We make no promises that the lease terms you procure, whether or not with our assistance, will represent the most favorable terms, including rental rates, available in the area in which your BoxDrop Business is or will be located.

**RSS dealers:** Since you are already open for business, the discussion regarding Site Selection Assistance is not applicable to you.

### **Schedule For Opening.**

Generally, it may take from one (1) to four (4) weeks to find an acceptable site and/or obtain an acceptable lease. We estimate that the typical length of time between the date you sign the Franchise Agreement and open your BoxDrop Business is one (1) to six (6) weeks. This depends on your ability to locate a site, secure financing (if necessary), and obtain a lease; the extent to which you must upgrade, remodel, or otherwise modify an existing location; the delivery schedule for inventory and supplies; and completing training. You must open your BoxDrop Business within ninety (90) days after you sign the Franchise Agreement unless at that time we determine that you are continuing to actively and diligently obtain a suitable location and/or lease so that you can reasonably be expected to open your BoxDrop Business within one hundred eighty (180) days. In that case, we will not terminate the Franchise Agreement until the earlier of one hundred eighty (180) days after signing your Franchise Agreement or such time as we determine that you are no longer actively and diligently seeking a suitable location and/or lease.

If you are opening the BoxDrop Business pursuant to a previously-signed Development Rights Agreement, then the opening date must be the earlier of (i) one (1) year after you sign the Franchise Agreement and (ii) the required opening date for the next BoxDrop Business to be developed under that Development Rights Agreement. You will begin looking for sites and otherwise operating under the Development Rights Agreement as soon as you sign it.

**RSS dealers:** Since you are already open for business, the discussion regarding Schedule for Opening is not applicable to you.

### **Training Information.**

After you sign the Franchise Agreement and prior to the opening of your BoxDrop Business, you (either the owners of the business entity individually) must review the Operations Manual and all of its attachments. The Operations Manual will be provided to you upon signing the Franchise Agreement. Within 90 days of the opening of your BoxDrop Business, you must attend and complete to our satisfaction a basics training program at such time or times designated by us (the “**Initial Training**”). There is no charge for this Initial Training, although you must pay your travel and living expenses and wages, as well as those for all employees who attend the Initial Training session with you on your behalf. We do not currently charge a training fee,

but if we are subsequently required or determine that it is necessary to train any additional or replacement employees, we reserve the right to do so. The Initial Training session will be conducted at our national training center in Jacksonville, our corporate headquarters in Dublin OH, an approved Coaches location, or at any other location we designate as part of our “See America” training, or at a combination of such locations. The Initial Training is offered every other month, or at least once every other ninety (90) days.

The Initial Training program currently consists of 2-3 days, devoted to classroom training in combination with materials provided through our dealer website. In conducting the Initial Training, we use the Operations Manual, a Training Manual with sample advertising, phone scripts, greetings, sales scripts, sample price sheets, product specifications, business management forms and other materials. Initial franchisee training and curriculum may change at any time. Currently, the following training is provided (hourly totals are estimates) for the Initial Training program.

The following tables summarizes the training program:

**ITEM 11 – TABLE:  
TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
Logistics: territory analysis, location of warehouse, layout of warehouse, rent negotiations	1 Hour	0 Hours	Via email and telephone
Advertising: advertising strategy analysis based on territory and available sources, tactical planning, budgeting, multiple source initial placement, sample ads and ongoing analysis of advertising	2.5 Hours	0 Hours	At either our national training center in Jacksonville, Florida, our Dublin OH headquarters, an approved location, or at our next “See America” training location.
Product: product specification training and product sales training	2.5 Hours	0 Hours	At either our national training center in Jacksonville, Florida, our Dublin OH headquarters, an approved location, or at our next “See America” training location.
Merchandising: showroom layouts, set/program merchandising plan	1 Hour	0 Hour	At either our national training center in Jacksonville, Florida, our Dublin OH headquarters, an approved location, or at our next “See America” training location.

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
Sales: phone, setting appointments, qualifying appointments, in-location program	1 Hour	0 Hours	At either our national training center in Jacksonville, Florida, our Dublin OH headquarters, an approved location, or at our next "See America" training location.
Business Management: sales statistics tracking, financial planning, organizational development program	1 Hour	0 Hours	At either our national training center in Jacksonville, Florida, our Dublin OH headquarters, an approved location, or at our next "See America" training location.

Within ninety (90) days after opening your BoxDrop Business, you must successfully complete our Initial Training program. You may, but are not required to, attend subsequent trainings that are generally offered every 3 months and each require approximately 2-3 days to complete. The curriculum for our training may change at any time.

In addition, upon signing the Franchise Agreement, you will be assigned to an onboarding coach, who will work with you for the first 30 days of operations to help you get set up. After that point, you will be assigned to a Division Business Coach, who will help you with day-to-day issues at your business that may arise.

Also, we offer on-going training after the conclusion of the Initial Training Program and the opening of your BoxDrop Business. All such on-going training is discretionary at solely at the option of the franchisee; provided, however, if a franchisee selects to sell additional furniture beyond the bedding and mattress and they meet the criteria to do so, such franchisee shall be required to attend one additional training session on the additional furniture. Currently, the following on-going training is provided (hourly totals are estimates):

### **ONGOING TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
Advertising	2.5 Hours	0 Hours	A regional training Business we designate or at our next "See America" training location

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Product Knowledge	2.5 Hours	0 Hours	A regional training Business we designate or at our next "See America" training location
Merchandising	1 Hours	0 Hours	A regional training Business we designate or at our next "See America" training location
Sales	1 Hours	0 Hours	A regional training Business we designate or at our next "See America" training location
Business Management	1 Hours	0 Hours	A regional training Business we designate or at our next "See America" training location
General Information, Inspiration and Motivation	1 Hours	0 Hours	A regional training Business we designate or at our next "See America" training location

All training is supervised by Bill Moeller, our Director of Training and Heather Bradley, our Start-up Trainer. Mr. Moeller has six (7) years of field experience and three (4) years of classroom training in mattress and furniture sales, all of which have been with us or our predecessor. Ms. Bradley has 8 years of of field experience in the industry and has been with us (or our affiliate) for three years. Also participating in our training sessions may be various RSS Dealers or employees who have at a minimum gone through our entire Initial Training program and have at least 2 years' of experience operating as RSS Dealers.

We do not offer any training or assistance to you in hiring your employees. Any training provided by us to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of Our System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

**Development Rights Agreement.** Currently there is no training required under the Development Rights Agreement. If you sign the Development Rights Agreement, you are required to complete the training required under the Franchise Agreement before your first BoxDrop Business opens to the public.

**RSS dealers:** Since you are already open for business, the discussions regarding training are not applicable to you. However, you may attend any Initial Training or on-going training session you would like, at no cost to you.

We currently conduct National Sales Conferences twice per year and may conduct field visits, weekly telephone call, and other seminars, conventions, or continuing development programs for your benefit throughout the term of your Franchise Agreement. Participation in National Sales Conferences is open to all franchisees in good standing, and attendance is highly encouraged. You will be provided at least 30 days' prior written notice of any mandatory seminar, convention, or program. You will be responsible for all costs you incur in attending a seminar, convention or training program, including all travel, living and labor expenses associated with attending any ongoing training program, unless we otherwise notify you in writing. We also reserve the right to charge you an admission fee to attend National Sales Conferences, the amount of which will be an allocation of the costs we incur in producing and presenting the conferences, including, without limitation, the costs of meeting space, lodging and catering for participants. We do not currently charge any such admission fee.

## **ITEM 12**

### **TERRITORY**

#### **FRANCHISE AGREEMENT**

Under the Franchise Agreement, you must operate your BoxDrop Business at a specific location, identified either at the time of execution of the Franchise Agreement or within thirty (30) days (the "**Approved Site**"). That location will be a specific numbered street address. Such Approved Site will be listed on Exhibit A to the Franchise Agreement or in a written amendment to the Franchise Agreement, if you have not selected the location at the time you sign the Franchise Agreement. You are responsible for securing the rights to the premises for your BoxDrop Business at the Approved Site, whether by lease or purchase. At the time the Approved Site is finalized, we will designate a set geographical territory around the Approved Site within which you will have certain protected rights as specified in the Franchise Agreement and as further described in this Item 12 (the "**Territory**"), provided you are in full compliance with the Franchise Agreement and all other agreements between you and us (or any of our affiliates). The Territory is based upon many factors, including geographical boundaries, political boundaries, population, demographics, and other parameters (more fully described in the Operations Manual), and therefore the size of the Territory will vary amongst franchisees. There is no minimum or maximum size for a Territory. In all cases, the Territory is defined prior to your and our execution of the Franchise Agreement and will be described in the Franchise Agreement you and we sign, if you have located an Approved Site at the time of execution. If you have not located an Approved Site at the time of execution, we shall define and set forth the Territory upon securing the Approved Site; provided, however, you and we will discuss general terms for the area which will constitute the Territory and where to find an Approved Site. If a site you propose is not approved, you must timely propose a new site in the Territory for our review.

Your Territory remains the same throughout the term of the Franchise Agreement; however, you may lose the rights granted in your Territory if (i) we terminate your Franchise Agreement, (ii) you fail to perform according to our System Standards, or (iii) you fail to achieve the applicable Minimum Purchasing Amount after the completion of a Performance Improvement Plan. The applicable Minimum Purchase Amount is a minimum Seventy-Five Thousand (\$75,000) of Product purchases from us (or our affiliate) during the initial 12 months of operation; One Hundred Thousand Dollars (\$100,000) in annual purchases of Product after the initial 12 months of operation of your BoxDrop Business; and then Two Hundred Thousand Dollars (\$200,000) in annual Product purchases thereafter. Further, if you fail to achieve the Minimum Purchasing Amount in the fiscal year after completion of the Performance Improvement Program, we have the right, but not the obligation, to do one or more of the following: (x) terminate the protected rights for your Territory; (y) reduce the size of the Territory; or (z) charge you a fee of up to 10% of the Minimum Purchasing Amount less your actual amount of purchases for that fiscal year. If you continue to fail to meet the Minimum Purchasing Amount in any fiscal year after the loss of the protected rights for your Territory, we may terminate your Franchise Agreement. Additionally, if you fail to order Products from us or our affiliates for six (6) consecutive weeks, or if you fail to place orders of at least \$3,000 worth of Products per month from us or our affiliates, we may reduce the size of your Territory in our discretion.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distributions or competitive brands that we control. The Territory is not exclusive, but while you are in compliance with the Franchise Agreement and if you continue to achieve the Minimum Purchasing Amount (which is annual purchases of Product from us (or our affiliate) in the following minimum amounts: (a) \$75,000 in the initial 12 month period, (b) \$100,000 after the initial 12 months of operation of your BoxDrop Business, and (c) \$200,000 thereafter after the initial twenty-four (24) months your BoxDrop Business is open), we will not open a BoxDrop Business or grant a franchise to another party to open a BoxDrop Business within your Territory. Provided, however, nothing in this Disclosure Document or the Franchise Agreement shall prevent us or any franchisee from delivering Products to a customer located within your Territory or from servicing Products sold to such customers, including through mail order, sales over the Internet, and other electronic media including, without limitation, mobile applications. Although we currently do not do so, we and our affiliates, including without limitation Sapphire and RSS, also reserve the right to conduct internet and catalogue sales that may reach into your Territory.

You may not conduct regular or continuous business from any other site other than the Approved Site, but we will permit you to conduct event marketing (that is, sales from temporary locations in association with a particular event) within the Territory or outside the Territory if the area in which the event marketing takes place is not covered under another franchisee's Franchise Agreement. You may not use any additional channels of distributions such as the internet, social media, catalog sales or telemarketing to make sales of Product from your BoxDrop Business.

You are not limited to your Territory with respect to accepting orders for Products, and you may accept orders from customers who reside outside your Territory subject to the

restrictions applicable to your advertising efforts outside the Territory. You are allowed to deliver Products to customers outside your Territory. You may advertise your BoxDrop Business and solicit customers from within your Territory and serve all customers who enter your BoxDrop Business. You may not engage in targeted advertising outside of your Territory unless a particular medium used by you or another franchisee (for example, a particular newspaper, television or radio station) naturally reaches more than one territory (like a radio or TV advertisement or social media presence). Therefore, while you are in compliance with the Franchise Agreement, we will also not engage, or authorize or allow others to engage, in targeted advertising in your Territory, unless a particular medium used by you or another franchisee naturally reaches more than one territory. We will not, however, be restricted with respect to placing advertising which is intended to reach a national or regional audience or which is conducted on the internet. We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises in any area.

You may not relocate the BoxDrop Business without our written consent. We will consider permitting a relocation of your BoxDrop Business after it has been open based upon various criteria such as the changing demographics of the current Approved Site, the current economics of the Box Drop Business, whether the relocation site meets our criteria for an Approved Site, and whether the proposed relation site is not in close proximity to another franchisee's Business.

We and our affiliates retain the right under the Franchise Agreement, and we do not grant you the right: (1) to use, and to license others to use, the Marks and Our System to operate stores at any location outside your Territory; (2) to use the Marks and Our System with services and products (including the products), in promotional and marketing efforts or with related items, or in alternative channels of distribution (including, without limitation, internet sales, catalog and mail order, and mobile applications), without regard to location; (3) to use and license the use of alternative proprietary marks or methods for the operation of BoxDrop Businesses or other businesses under names that are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from Businesses; (4) to use and license the use of alternative proprietary marks in connection with sales of Products in your Territory, and (5) to engage in any other activities not expressly prohibited in the Franchise Agreement. We have no obligation to compensate you if we exercise any of these rights.

Neither we nor our affiliates franchise or have plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those the franchisee will offer.

## **DEVELOPMENT RIGHTS AGREEMENT**

**Approved Development Territory.** If you sign the Development Rights Agreement, you (and your Affiliated Entities) will develop a number of BoxDrop Businesses within the Development Territory during a specific time period. We and you will identify the Development Territory, number of BoxDrop Businesses and time period in an exhibit to the Development Rights Agreement before signing it. We base the Development Territory's size on the number of

BoxDrop Businesses you agree to develop, the market, other characteristics of the Development Territory, and demographic factors. If you are fully complying with the Development Rights Agreement and each Franchise Agreement between you (or your Affiliated Entities) and us, we will grant you and your approved Affiliated Entities franchises to operate the agreed-upon number of BoxDrop Businesses in the Development Territory. You may not develop BoxDrop Businesses outside the Development Territory unless we sign a separate agreement with you to do so.

**Development Schedule.** We and you will negotiate the Development Schedule describing the number of BoxDrop Businesses that you must develop, and the dates by which you are required to develop them, to keep your territorial rights and insert this information in the Development Rights Agreement before signing it.

**Approved Location.** Under the Development Rights Agreement, you are required to locate sites for each BoxDrop Business as you will develop them. We must approve the site location for each BoxDrop Business to be developed and opened within the Development Territory and we shall apply the same criteria for determining a suitable site location for a single unit BoxDrop Business under a then current franchise agreement. You will propose the locations and provide any other materials as we require for us to approve the location in accordance with the then current franchise agreement. Each BoxDrop Business developed under a franchise agreement will receive a Territory, subject to applicable law.

**Protected Development Territory.** If you are fully complying with all of your obligations under the Development Rights Agreement, and you and your Affiliated Entities are fully complying with all of your and their obligations under all franchise agreements then in effect with us, then, during the Development Rights Agreement's term only, neither we nor any of our affiliates will operate, or grant a franchise for the operation of, an BoxDrop Business that operates under the Marks and is physically located within the Development Territory.

We and our affiliates may engage, and allow others to engage, in any other activities of any nature whatsoever, whether within or outside the Development Territory, subject only to your rights under franchise agreements with us then in effect, including:

- (a) establishing and operating, and granting rights to other persons to establish and operate, on any terms and conditions we deem appropriate, BoxDrop Business or any similar or dissimilar businesses at any location outside the Development Territory;
- (b) all rights relating directly or indirectly to the Marks in connection with any methods of distribution, except as specifically set forth in the Development Rights Agreement. This includes providing, and granting rights to other persons to provide, goods and services similar or dissimilar to, and/or competitive with, those provided at BoxDrop Business, whether identified by the Marks or other trademarks or service marks, through mail order, sales over the Internet and other electronic media, mobile applications; and

- (c) those rights which we now reserve in the Franchise Agreement, subject only to your rights concerning BoxDrop Businesses described above.

After the Development Rights Agreement expires or is terminated, regardless of the reason, or upon the expiration of the Development Phase (as defined in the Development Rights Agreement) (if sooner), we and our affiliates may engage, and allow others to engage, in any other activities we desire within and outside the Development Territory without any restrictions whatsoever, subject only to your rights under franchise agreements with us then in effect.

**Default.** Your failure to comply with the Development Schedule within the Development Rights Agreement at the end of any Development Period is a “Development Default.” Typically, a “Development Period” is the 12-month period beginning on the date, or the anniversary of the date, upon which you sign the Development Rights Agreement. Following a Development Default, and whether or not we provide you written notice of that Development Default, you must cure that Development Default by complying with the Development Schedule within sixty (60) days after the end of the Development Period in which the Development Default occurred. This cure period does not reduce the Development Schedule for the next Development Period nor extend the time for you to comply with the Development Schedule for the next Development Period. In addition, if you commit two (2) Development Defaults in successive Development Periods, or three (3) Development Defaults at any time during the term of this Agreement, then we may (but need not):

- (a) terminate the Development Rights Agreement (but not franchise agreements with you or your Affiliated Entities);
- (b) extend the time of any Development Period (and extend the time for all future Development Periods) for any period of time that we determine; and/or
- (c) reduce the size of the Development Territory to a lesser area that we determine.

Except as described above, continuation of your territorial rights in the Development Territory does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Development Territory or your territorial rights. You have no options, right of first refusal or similar rights for other areas.

### **ITEM 13**

#### **TRADEMARKS**

You may use certain Marks in operating your BoxDrop Business. Our parent, RSS, is the owner and has received registration and intends to file all required affidavits and renewal registrations of the following principal Marks in the U.S. Patent and Trademark Office:

Mark	Registration No.	Registration Date	Register	Int'l Class
BOXDROP MATTRESS & FURNITURE DIRECT	5737376	April 30, 2019	Principal	35
SLEEP2WIN	5607283	November 13, 2018	Principal	20
	5607284	November 13, 2018	Principal	20
SAPPHIRE SLEEP	5932889	December 10, 2019	Principal	20
	6177955	October 20, 2020	Principal	35
	6188051	November 3, 2020	Principal	35
BOXDROP	6192822	November 10, 2020	Principal	35

<b>Box Drop</b> ↓	6192823	November 10, 2020	Principal	35
BOXDROP MATTRESS	6192824	November 10, 2020	Principal	35
<b>Box Drop</b> — Mattress — ↓	6192825	November 10, 2020	Principal	35
<b>Box Drop</b> Mattress & Furniture ↓	6192826	November 10, 2020	Principal	35
BOXDROP MATTRESS & FURNITURE	6192827	November 10, 2020	Principal	35
BOXDROP SOFA	6198192	November 17, 2020	Principal	35
<b>Box Drop</b> — Distribution — ↓	6198194	November 17, 2020	Principal	35
BOXDROP DISTRIBUTION	6198195	November 17, 2020	Principal	35
<b>Box Drop</b> — Sofa — ↓	6198196	November 17, 2020	Principal	35

	6282511	March 2, 2021	Principal	20 and 35
-----------------------------------------------------------------------------------	---------	---------------	-----------	-----------

As noted above, the Marks are owned by our parent, RSS. Under our Intellectual Property License Agreement with Retail Service Systems, Inc. and BoxDrop LLC, dated as of September 1, 2019 (the “**License Agreement**”), RSS has licensed to us the exclusive right to use and to sublicense the use of the Marks in granting new BoxDrop Businesses to our franchisees under Franchise Agreements. The License Agreement has an indefinite term and can only be terminated for our breach of the License Agreement for failure to adhere to RSS’ minimum quality and usage standards for the Marks. If the License Agreement is terminated, we would lose our ability to sublicense the Marks to you and the other franchisees, and you would be required to immediately stop the use of the Marks unless and until RSS licensed those Marks to you directly. All rights in and goodwill from the use of the Marks accrue to us and our affiliates.

Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks during the term of the Franchise Agreement or otherwise. You may make changes or substitutions to the use of the Marks only if we direct you to do so. There are presently no effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any trademark administrator of any state or any court proceedings, which limit or restrict our right to use the Marks which are relevant to your use of the Marks for your BoxDrop Business. There currently are no other agreements in effect that significantly limit our rights to use or license the use of any Marks listed in this Item 13 in any manner material to the franchise. We are not aware of any infringing uses, that might materially affect your use of the Marks licensed to you.

We are not required to protect you against infringement or unfair competition claims arising from your use of the Marks, or to participate in your defense or defend you, or indemnify you for any expenses you incur as a result of such claims. We reserve the right to control any trademark litigation or other proceeding involving trademarks and will take the action we believe appropriate if a third party infringes or threatens to infringe our Marks. You must promptly notify us if you learn of any claim, action, suit, or demand against you by a third party for any alleged infringement, unfair competition, or similar matter due to your use of the Marks. You must modify or discontinue your use of a Mark, at your own expense, if we so require. We and our affiliates need not reimburse you for your direct expenses of doing so, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute mark.

The Development Rights Agreement does not grant you rights to use the Marks. These rights arise only under the Franchise Agreement.

## **ITEM 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

No patents are material to the Franchise. The Operations Manual, operating procedures, and related materials are considered proprietary and confidential, to be used only as described in the Franchise Agreement. We claim copyrights in the Operations Manual, advertising and marketing materials, and similar items used in operating the BoxDrop Business. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. You may use these items only as we specify while operating your BoxDrop Business (and must stop using them if we so direct you).

You must treat as confidential the information contained in the Operations Manual and any other manuals or supplemental material supplied by us. The Operations Manual is our property and you may not duplicate, copy, disclose or disseminate the contents of the Operations Manual at any time, without our prior written consent. We have the right to modify or supplement the Operations Manual upon notice or delivery to you. Upon the termination or non-renewal of your franchise, you must return all copies and versions of the Operations Manual to us.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. There are no agreements which limit our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your using the copyrighted materials in any state. We need not protect or defend copyrights, although we intend to do so if in the System's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright.

The Operations Manual and other materials contain our confidential information. This information includes site selection criteria; methods, formats, specifications, standards, systems, operating procedures, sales and marketing techniques, scripts, knowledge, and experience in developing and operating Businesses; marketing and advertising programs for Businesses; knowledge of specifications for and suppliers of certain equipment, products, materials, and supplies; and knowledge of the operating results and financial performance of Businesses.

All ideas, concepts, techniques, or materials concerning a BoxDrop 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," you assign ownership of and all related rights to that item to us and must sign whatever assignment or other documents we request to show our ownership or to help us obtain intellectual property rights in the item.

Neither you nor your owners may use any confidential information in any other business or capacity, whether during or after the term of the Franchise Agreement. You and your owners are required to keep all confidential information absolutely confidential during and after the term

of the applicable agreement, may not use our confidential information in an unauthorized manner, and may not make any unauthorized copies of any confidential information. Neither you nor your owners may sell, trade or otherwise profit in any way from our confidential information (including customer names, addresses, telephone numbers and related information) except during the Franchise Agreement's term using methods we approve. You agree to take reasonable steps to prevent improper disclosure of our confidential information to others and use non-disclosure agreements with those having access. We may regulate the form of agreement that you use and will be a third party beneficiary of that agreement with independent enforcement rights.

You may not divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement, except as otherwise provided in the Franchise Agreement. You cannot disclose any information made available to you to any person other than your employees or financial advisors who reasonably need access to such information to fulfill their employment or contractual responsibilities. All employees or other people to whom you make this information available must be informed of this obligation of confidence and execute appropriate non-disclosure agreements.

Confidential information does not include information, knowledge or know-how that is or becomes generally known in the foodservice industry, that you knew from previous business experience before we provided it to you or before you began training or operating your Restaurant, or that you learn or acquire from any source other than us, our agents or our representatives. Anyone claiming one of these exclusions must prove that the exclusion is fulfilled.

The Development Rights Agreement does not grant you rights to use our copyrighted works or confidential information. These rights arise only under the Franchise Agreement.

## **ITEM 15**

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

#### **FRANCHISE AGREEMENT**

Under the Franchise Agreement, you (or your owner, if you are a legal entity) must participate personally in the direct operation of the BoxDrop Business on a full-time basis. Since you must participate personally in the direct operation of the business, the on-site supervisor of your BoxDrop store (i.e. you) must complete our initial training program. You or your owner, and each of your officers, directors, partners, shareholders, members, and agents must agree to be bound by the non-competition and nondisclosure provisions of the Franchise Agreement. If you are a legal entity, we require your owners, but not the spouses of the owners, to personally assume and agree to perform all of your obligations under the Franchise Agreement.

We make no other recommendations and have no other requirements regarding employment or other written agreements between you and your employees. We can, however, require your employees having access to our confidential information to sign nondisclosure

agreements.

## **DEVELOPMENT RIGHTS AGREEMENT**

You are required to develop your Development Territory according to the Development Schedule. We require that you personally supervise your development of BoxDrop Business. If you are a corporation, limited liability company, or other business entity, your owners must sign personal guarantees of your obligations under the Development Rights Agreement.

We will grant BoxDrop Businesses franchises under the Development Rights Agreement only to you or your approved Affiliated Entities. “Affiliated Entity” means a corporation, limited liability company or other business entity of which you or one or more of your owners own at least 51% of the total authorized ownership interests, but only if you or those owner(s) have the right to control the entity’s management and policies. Franchises that we grant to your Affiliated Entities will count toward your Development Schedule.

### **ITEM 16**

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

You must offer and sell all, and only, those Products and services that we have approved or periodically specify for the BoxDrop Business. You are required to maintain an inventory of these Products sufficient to meet the demands of customers within your Territory and you are required to meet the Minimum Spending Requirement on inventory of such Products. You may not offer for sale any Products or offer any services that we have not approved. You may not sell any Products at wholesale without our prior written consent. We have the right to change the types of authorized Products and services periodically. There are no limits on our right to do so. You may sell goods and services from your BoxDrop Business only to end-user customers. You may not sell any Products to a retailer, reseller, consignor or merchant that will resell the Products.

Our System Standards may regulate required and authorized products and standard operating procedures like hours of operations. We may periodically change those operating standards and there are no limits on our right to do so. You must implement any and all new modifications that we develop and must make the necessary and reasonable expenditures to implement any such modifications. We also may periodically establish maximum prices for Products that your BoxDrop Business offers, and if we do, you may not exceed that price but may charge any lower price you determine.

When you first open your BoxDrop Business, you will be permitted to carry only an inventory of approved bedding and bedding supplies. After you satisfy the criteria we set in our Operations Manual, you may, in your discretion, expand your inventory to eventually include our entire line of home furnishings Products.

**RSS Dealers:** Since you are already open for business, you will be permitted to carry the level and types of inventory you were permitted to carry in the business immediately prior to converting

to a BoxDrop Business.

**ITEM 17**

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

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.Length of the franchise term	Franchise Agreement Section 1.B; Development Rights Agreement Section 2	10 years. Development Rights Agreement continues for so long as there are outstanding valid and effective Franchise Documents, but the development rights and obligations terminate upon the expiration of the stated Development Phase.
b.Renewal or extension of the term	Franchise Agreement Section 13	Option to renew for successive franchises, if you meet requirements, which have 10 year terms.
c.Requirements for franchisee to renew or extend	Franchise Agreement Section 13	Written notice of at least 6 months (but no more than 12 months) before expiration, sign then-current form of Franchise Agreement, be in compliance with Franchise Agreement, sign release, pay renewal fee, meet current financial and operational criteria, and renovate (if applicable). If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d.Termination by franchisee	Franchise Agreement Section 14.A	You may not terminate the Franchise Agreement except as otherwise provided by law.
e.Termination by franchisor without cause	Not applicable	We may not terminate Franchise Agreement without cause.
f.Termination by franchisor with cause	Franchise Agreement Section 14.B; Development Rights Agreement Section 8 and 10	We can terminate only if you commit any one of listed violations.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Franchise Agreement Section 14.B and 14.C; Development Rights Agreement Section 8 and 10	5 days to discharge executions against property or if you fail to upload sales, activity and financial information after written notice; 10 days for failure to pay amounts owed or for misuse of Marks; and 30 days for all other defaults. Under Development Rights Agreement you have 60 days to cure single Development Default.
h. "Cause" defined – non-curable defaults	Franchise Agreement Section 14.B; Development Rights Agreement Section 8 and 10	Purchase or attempt to purchase Products from any unapproved vendor; material misrepresentation or omission in application; unauthorized opening; abandonment; felony conviction; dishonest or unethical conduct; unauthorized assignment; improper assignment upon death or disability; loss of possession of BoxDrop Business; unauthorized use of Confidential Information; assignment for benefit of creditors; bankruptcy; repeated violations; failure to accurately report sales or other required data; failure to complete training or to open; receive 3 notices of default within 12-month period; failure to timely achieve required levels of operation; failure to purchase Products for 6 consecutive weeks or to order at least \$3,000 worth of Products during any calendar month; termination of any other BoxDrop franchise agreement under which you (or your owner) are the franchisee (other than Development Rights Agreement); uncured loan or equipment lease default; or unsafe or unsanitary conditions at Business. Non-curable defaults under Development Rights Agreement include repeated Development Defaults, defaults under any franchise agreement between us and you (or your Affiliated Entity), and all other defaults under Development Rights Agreement.

Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/nonrenewal	Franchise Agreement Sections 14.D, 14.E and 14.F	Cease operating franchised business, cease using confidential information and Marks, deliver property containing the Marks, cancel assumed or similar name registrations, assign lease or de-identify, pay outstanding amounts and damages, deliver manuals, assign phone numbers, comply with covenants, and execute all required documents.
j. Assignment of contract by franchisor	Franchise Agreement Section 12.A; Development Rights Agreement Section 11	No restriction on our right to assign
k. "Transfer" by franchisee – defined	Franchise Agreement Section 12.B; Development Rights Agreement Section 11	Includes transfer of any interest in the BoxDrop Business, Franchise Agreement, BoxDrop Business assets, you (if you are a legal entity), mortgage or assignment of any interest in the Franchise Agreement and an assignment of day-to-day operational responsibilities for the BoxDrop Business under an operating agreement or otherwise
l. Franchisor's approval of transfer by franchisee	Franchise Agreement Section 12.B; Development Rights Agreement Section 11	No transfer without our approval
m. Conditions for franchisor approval of transfer	Franchise Agreement Section 12.C; Development Rights Agreement Section 11	Full compliance; transferee qualifies; all amounts due under Franchise Agreement (and other franchise agreements with us) are paid in full; all reports submitted; transferee signs our then current form of franchise agreement (which may differ materially); transferee and its owners and affiliates do not operate or have ownership interest in competitive business; lease transferred; subordination of amounts due to you and your owners from transferee; completion of training; transfer fee paid; transferee agrees to renovate, remodel, or replace BoxDrop Business property within specified time to meet current image and operational standards; and execute and deliver other required documents (including release). We may grant or withhold our approval to transfer under Development Rights Agreement for any or no reason.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement Section 12.D	For 30 day period, we have right to match offer.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement Section 12.D and 14.F	For 30-day period, we have right to match offer of proposed transfer; for 30 days after termination or expiration of agreement, we have the right to purchase inventory for original purchase price less (a) shipping to your premises, (b) shipping from your premises, (c) costs of making inventory suitable for re-sale, and (d) amounts owed to us or affiliates.
p. Death or disability of franchisee	Franchise Agreement Section 12.E	Franchise must be assigned to approved third party within 120 days (or longer if required by probate proceedings)
q. Non-competition covenants during the term of the franchise	Franchise Agreement Section 11; Development Rights Agreement Section 12	No involvement or ownership in any Competitive Business wherever located or operating; no diversion of business or customers to Competitive Business; no solicitation of our, an affiliate's, or another franchisee's employees
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement Section 14.E	No interest in Competitive Business for 2 years at former BoxDrop Business location or within 200 miles of (a) the BoxDrop Business location, (b) any other BoxDrop Business in existence as of the date of termination or expiration, (c) any territory, market or trade area then serviced by us or a franchisee, (d) any territory, market or trade area that we then have specific plans to service, (e) any location, trade area, market or territory in which there was a BoxDrop Business during the 2 years prior to termination or expiration; (f) the Development Territory; you must pay liquidated damages equal to our then-current Initial Franchise Fee and 10% of the Gross Sales of such business for violation of non-competition provisions.
s. Modification of the agreement	Franchise Agreement Section 16.B; Development Rights Agreement Section 14	No modifications generally, but Operations Manual subject to change.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
t.Integration/merger clause	Franchise Agreement Section 16.A; Development Rights Agreement Section 14	Only terms of Franchise Agreement, Development Rights 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	Franchise Agreement Section 18.B; ; Development Rights Agreement Section 12	Except for certain federal claims, we and you must litigate all disputes in state court within Franklin County, Ohio. There is no right to arbitration or mediation.
v.Choice of forum	Sections 18.A and 18.B; Development Rights Agreement Section 12	Litigation in the Court of Common Pleas, Franklin County, Ohio (subject to applicable state law). In event claims must be litigated in federal court, litigation in the U.S. District Court for Southern District of Ohio, Columbus, Ohio.
w.Choice of law	Section 18.A; Development Rights Agreement Section 12 of the	Except for federal law, Ohio law applies (subject to applicable state law).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit J.

## **ITEM 18**

### **PUBLIC FIGURES**

We currently do not use any public figure to promote our franchise, and no public figures have invested in us or are involved in the management or control of the franchises offered under this Disclosure Document.

## **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 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 us at support@boxdropdirect.com, 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 2021 to 2023\***

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	80	152	+72
	2022	152	159	+7
	2023	159	172	+13
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
<b>Total Outlets</b>	<b>2021</b>	<b>81</b>	<b>153</b>	<b>+72</b>
	<b>2022</b>	<b>153</b>	<b>160</b>	<b>+7</b>
	<b>2023</b>	<b>160</b>	<b>173</b>	<b>+13</b>

\* The numbers are as of December 31 of each year.

\*\* Until our formation in August 2019, all company-owned outlets listed in Item 20 were owned and operated by our parent company, RSS. Since then, all company-owned outlets have been operated by us.

**TABLE NO. 2**

**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR OR AN AFFILIATE)  
FOR YEARS 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers*</b>
AL	2021	0
	2022	1
	2023	1
AR	2021	1
	2022	0
	2023	0
AZ	2021	1
	2022	0
	2023	0
CA	2021	0
	2022	1
	2023	0
FL	2021	2
	2022	2
	2023	1
GA	2021	0
	2022	2
	2023	0
IA	2021	0
	2022	0
	2023	1
LA	2021	0
	2022	0
	2023	1
MS	2021	0
	2022	1
	2023	0
MO	2021	1
	2022	1
	2023	0
NC	2021	0
	2022	1
	2023	1
OH	2021	0

State	Year	Number of Transfers*
	2022	1
	2023	0
TX	2021	0
	2022	3
	2023	0
<b>Total</b>	<b>2021</b>	<b>5</b>
	<b>2022</b>	<b>13</b>
	<b>2023</b>	<b>5</b>

\* The numbers are as of December 31 of each year.

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS\*\***  
**FOR YEARS 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
AL	2021	3	3	0	0	0	0	6
	2022	6	2	0	0	0	1	7
	2023	7	0	0	0	0	1	7
AZ	2021	4	2	0	0	0	0	6
	2022	6	1	1	0	0	2	4
	2023	4	3	0	0	0	0	7
AR	2021	3	5	0	0	0	0	8
	2022	8	2	0	0	0	4	6
	2023	6	1	0	0	0	3	4
CA	2021	2	4	0	0	0	0	6
	2022	6	0	1	0	0	0	5
	2023	5	4	1	0	0	1	7
CO	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	2	2
CT	2021	0	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2022	2	0	0	0	0	1	1
	2023	1	1	0	0	0	0	2
FL	2021	6	6	0	0	0	1	11
	2022	11	3	0	0	0	1	13
	2023	13	0	0	0	0	3	10
GA	2021	5	1	0	0	0	0	6
	2022	6	3	1	0	0	0	8
	2023	8	2	0	0	0	2	8
ID	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
IL	2021	3	3	0	0	0	0	6
	2022	6	1	0	0	0	0	7
	2023	7	1	0	0	0	2	6
IN	2021	2	5	0	0	0	2	5
	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	1	5
IA	2021	1	1	0	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	0	0	0	0	0	5
KS	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	0	0	0	0	0	2
KY	2021	4	3	0	0	0	1	6
	2022	6	2	0	0	0	1	7
	2023	7	2	0	0	0	0	9
LA	2021	3	6	0	0	0	0	9
	2022	9	0	0	0	0	1	8
	2023	8	1	2	0	0	0	7
ME	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2023	1	0	0	0	0	1	0
MD	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
MI	2021	1	4	0	0	0	0	5
	2022	5	2	0	0	0	1	6
	2023	6	0	0	0	0	1	5
MN	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
MS	2021	5	5	0	0	0	1	9
	2022	9	5	3	0	0	0	11
	2023	11	0	0	0	0	2	9
MO	2021	3	5	0	0	0	0	8
	2022	8	1	0	0	0	1	8
	2023	8	2	1	0	0	0	9
MT	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NE	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
NC	2021	5	4	0	0	0	1	8
	2022	8	2	0	0	0	3	7
	2023	7	1	0	0	0	1	7
ND	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2023	1	1	0	0	0	0	2
NY	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NM	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
OH	2021	1	4	0	0	0	0	5
	2022	5	1	0	0	0	2	4
	2023	4	0	1	0	0	0	3
OK	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
OR	2021	2	1	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
PA	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	0	0	0	0	0	2
SC	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	3	0	0	0	0	5
SD	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TN	2021	1	7	0	0	0	2	6
	2022	6	4	0	0	0	3	7
	2023	7	4	0	0	0	3	8
TX	2021	6	4	0	0	0	1	9
	2022	9	3	0	0	0	2	10
	2023	10	6	1	0	0	2	13

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
UT	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
VA	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	2	2
	2023	2	0	0	0	0	0	2
WI	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
WV	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
WY	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
<b>Total</b>	<b>2021</b>	<b>80</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>152</b>
	<b>2022</b>	<b>152</b>	<b>42</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>159</b>
	<b>2023</b>	<b>159</b>		<b>6</b>	<b>25</b>	<b>0</b>	<b>0</b>	

\*\* We did not offer franchises prior to 2019. However, PMD, a predecessor to our parent, RSS, previously entered into franchise agreements with certain individuals and RSS obtained the rights under such franchise agreements. Only those outlets under a franchise agreement are listed in this Item 20.

**TABLE NO. 4**  
**STATUS OF COMPANY-OWNED OUTLETS\*\*\***  
**FOR YEARS 2021 to 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
FL	2021	1	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2022	1	0	0	0	0	1
	2023	1	0	0	1	0	0
OH	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
TOTAL	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	1	0	1

\*\*\* Until our formation in August 2019, all company-owned outlets listed in Item 20 were owned and operated by our parent company, RSS. Since then, all company-owned outlets have been operated by us.

**TABLE NO. 5  
PROJECTED OPENINGS FOR 2024**

Column 1 State	Column 2 Franchise Agreements Signed But Businesses Not Commenced	Column 3 Projected New Franchised Businesses In The Next Fiscal Year	Column 4 Projected New Company-Owned Businesses In the Next Fiscal Year
Alabama	0	1	0
Arizona	0	1	0
Arkansas	0	1	0
California	0	3	0
Colorado	0	1	0
Connecticut	0	1	0
Delaware	0	1	0
Florida	0	1	0

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Businesses Not Commenced</b>	<b>Column 3 Projected New Franchised Businesses In The Next Fiscal Year</b>	<b>Column 4 Projected New Company-Owned Businesses In the Next Fiscal Year</b>
Georgia	0	2	0
Idaho	0	1	0
Illinois	0	1	0
Indiana	0	1	0
Iowa	0	1	0
Kansas	0	1	0
Kentucky	0	1	0
Louisiana	0	1	0
Maine	0	1	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	0	1	0
Mississippi	0	1	0
Missouri	0	1	0
Montana	0	1	0
Nebraska	0	1	0
Nevada	0	1	0
New Hampshire	0	1	0
New Jersey	0	1	0
New Mexico	0	1	0

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Businesses Not Commenced</b>	<b>Column 3 Projected New Franchised Businesses In The Next Fiscal Year</b>	<b>Column 4 Projected New Company-Owned Businesses In the Next Fiscal Year</b>
New York	0	2	0
North Carolina	0	1	0
North Dakota	0	1	0
Ohio	0	2	1
Oklahoma	0	1	0
Oregon	0	1	0
Pennsylvania	0	1	0
Rhode Island	0	1	0
South Carolina	0	1	0
South Dakota	0	1	0
Tennessee	0	1	0
Texas	0	3	0
Utah	0	1	0
Vermont	0	1	0
Virginia	0	1	1
Washington	0	0	0
West Virginia	0	1	0
Wisconsin	0	2	0
Wyoming	0	1	0
<b>Total</b>	<b>0</b>	<b>55</b>	<b>2</b>

Exhibit H is a list of our franchisees as of December 31, 2023 and the addresses and telephone numbers of their BoxDrop Business. Exhibit I is a list of (i) the names, addresses and phone numbers of franchisees which have been terminated, cancelled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, during the most recently completed fiscal year, (ii) those who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document, and (iii) those franchisees that transferred an outlet. Last year there were 36 franchisees who left the system. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. There is no trademark-specific franchise organization associated with the franchise system being offered in this Disclosure Document.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached as Exhibit E is our audited balance sheets as of December 31, 2023, December 31, 2022 and December 31, 2021, and our audited statements of operation, members' capital and cash flows for the fiscal years ended December 31, 2023, December 31, 2022 and December 31, 2021.

## **ITEM 22**

### **CONTRACTS**

The following agreements are exhibits to this Disclosure Document:

- Exhibit B – Franchise Agreement
  - Exhibit A: Basic Terms
  - Exhibit B: Guaranty and Assumption of Obligations
- Exhibit C – Development Rights Agreement
- Exhibit D – Amendment No. 1 to Franchise Agreement for converting RSS Dealers
- Exhibit F – Confidentiality Agreement
- Exhibit J – State Addenda and Addendum to Franchise Agreement
- Exhibit K – Form of Release
- Exhibit L – Promissory Note

## **ITEM 23**

### **RECEIPTS**

Our and your copies of the Disclosure Document Receipt are the last 2 pages of this Disclosure Document.

**EXHIBIT A**

**LIST OF STATE AGENCIES; AGENTS FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll-free (866-275-2677)	Department of Financial Protection and Innovation
HAWAII	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Office of Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington St., Room E111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 200 West Washington Street, Room 201 Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202-2020
MICHIGAN	Michigan Department of Attorney General	Michigan Department of

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
	Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Bldg. 1 <sup>st</sup> Floor Lansing, MI 48933 (517) 373-7117	Attorney General Consumer Protection Division
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651)-539-1600	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue, 6th Fl Albany, NY 12231
NORTH DAKOTA	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capitol, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department
RHODE ISLAND	Rhode Island Department of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex – Bldg. 69-1 Cranston, RI 02920 (401) 462-9500 x5	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	South Dakota Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Director of the South Dakota Division of Securities

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 East Main Street Richmond, VA 23219 (804) 371-9051	Clerk, Virginia State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219
WASHINGTON	Securities Division Department of Financial Institutions P.O. Box 9033 Olympia, WA 98501 (360) 902-8760	Securities Division Department of Financial Institutions 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-3364	Wisconsin Commissioner of Securities
ALL OTHER STATES	N/A	KBHR Statutory Agent Corp P.O. Box 361715 Columbus, Ohio 43236

**EXHIBIT B**

FRANCHISE AGREEMENT

See attached.



## BOXDROP, LLC

### FRANCHISE AGREEMENT

<b>Franchisee Name:</b>	
<b>Entity Form:</b>	<input type="checkbox"/> limited liability company <input type="checkbox"/> corporation <input type="checkbox"/> limited partnership <input type="checkbox"/> other: _____
<b>State of Formation:</b>	
<b>Address of Franchisee:</b>	
<b>Date of Agreement:</b>	
<b>Initial Term Expires:</b>	10 years after effective date
<b>Type of BoxDrop Business:</b>	
<b>Operating Owner:</b>	
<b>BoxDrop of (description of location):</b>	

## TABLE OF CONTENTS

	<u>Page</u>
<b>1. GRANT OF FRANCHISE</b> .....	<b>2</b>
A. Grant. ....	2
B. Term. ....	2
C. Best Efforts; Representations and Warranties. ....	2
<b>2. TERRITORY</b> .....	<b>3</b>
A. Territorial Selection. ....	3
B. Territorial Rights.....	3
C. Loss of Territorial Rights.....	4
D. Rights Maintained by Franchisor; Limitations on Territorial Rights. ....	5
<b>3. YOUR OBLIGATIONS TO DEVELOP THE BUSINESS</b> .....	<b>5</b>
E. Locating and Procuring the Site.....	5
F. Lease Approval.....	6
G. Development of the Business.....	6
H. Opening the Business. ....	7
<b>4. FEES AND PAYMENTS</b> .....	<b>8</b>
A. Initial Franchise Fee.....	8
B. National Marketing Fee. ....	8
C. Regional Advertising Fee.....	8
D. Propriety and Software and Online Fee. ....	8
E. Competitive Business Violation Fee.....	9
F. Relocation Fee. ....	9
G. Transfer Fee. ....	9
H. Successor Franchise Fee. ....	9
I. Automatic Debit and Credit Card Payments.....	9
J. Late Payment Charge; Interest on Delinquent Payments.....	10
<b>5. TRAINING AND GUIDANCE</b> .....	<b>10</b>
A. Training by Us.....	10
B. Training by You. ....	11
C. Operations Manual and System Standards.....	11
<b>6. MARKS; COPYRIGHTS; AND CONFIDENTIAL INFORMATION</b> .....	<b>12</b>
A. Right to Use Marks.....	12
B. Ownership and Goodwill of Marks.....	12
C. Rules for the Use of Marks.....	12
D. Modification and Discontinuance of Use of Marks.....	13
E. Copyrighted and Copyrightable Materials.....	13
F. Limitation on Your Use of Copyrighted Materials. ....	13
G. Notification and Defense of Claims.....	14

H.	Confidential Information.....	14
I.	Customer Information.....	16
J.	Innovations.....	16
<b>7.</b>	<b>PRODUCTS AND PURCHASES.....</b>	<b>17</b>
A.	Restrictions on Purchase and Sale of Products.....	17
B.	Product Orders.....	17
C.	Prices and Payment Terms.....	18
D.	NO WARRANTIES; LIMITATIONS OF LIABILITY.....	18
<b>8.</b>	<b>OPERATION OF THE BUSINESS AND SYSTEM STANDARDS .....</b>	<b>19</b>
A.	Compliance with System Standards and Applicable Laws.....	19
B.	Compliance with Laws.....	20
C.	Business Management.....	21
D.	Notices of Independent Ownership.....	21
E.	Approved Vendors for Non-Product Items.....	21
F.	Computer System.....	21
<b>9.</b>	<b>ADVERTISING, PROMOTION, AND MARKETING.....</b>	<b>21</b>
A.	Approval of Marketing Materials.....	21
B.	Franchise System Website.....	22
C.	Advertising and Marketing Strategies.....	23
D.	National Marketing Fund.....	23
E.	Regional Advertising Programs.....	24
F.	Re-Direction of Marketing Program Contributions.....	25
G.	Local Advertising Expenditures.....	25
<b>10.</b>	<b>EVALUATIONS, AUDITS AND REPORTS.....</b>	<b>25</b>
A.	Right to Inspect; Evaluations.....	25
B.	Records, Reports, and Financial Statements.....	26
<b>11.</b>	<b>COMPETITIVE BUSINESS DURING TERM.....</b>	<b>26</b>
<b>12.</b>	<b>TRANSFER.....</b>	<b>27</b>
A.	Transfer or Delegation by Us.....	27
B.	Transfer by You.....	28
C.	Pre-Conditions for Approval of a Transfer.....	28
D.	Right of First Refusal.....	30
E.	Death or Disability.....	30
<b>13.</b>	<b>SUCCESSOR FRANCHISES.....</b>	<b>31</b>
A.	Your Right to Acquire Successor Franchises.....	31
B.	Grant of Successor Franchise.....	32
<b>14.</b>	<b>TERMINATION OF AGREEMENT .....</b>	<b>32</b>
A.	Termination By You.....	32
B.	Termination by Us.....	32
C.	Termination by Us - Thirty Days' Notice.....	34

	D.	Effect of Termination or Expiration. ....	34
	E.	Competitive Business After Term or Expiration. ....	35
	F.	Right to Purchase Inventory. ....	36
	G.	Actions in Lieu of Termination.....	37
<b>15.</b>		<b>RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.....</b>	<b>37</b>
	A.	Independent Contractors. ....	37
	B.	Taxes. ....	37
	C.	Indemnification. ....	38
	D.	Insurance. ....	38
<b>16.</b>		<b>STANDARD CLAUSES.....</b>	<b>39</b>
	A.	Severability and Integration. ....	39
	B.	Amendment.....	40
	C.	Waiver of Obligations.....	40
	D.	Costs and Attorneys’ Fees. ....	40
	E.	No Off-Sets; Cumulative Rights. ....	41
	F.	Interpretation.....	41
	G.	Binding Effect.....	41
	H.	Exercise of Our Business Judgment. ....	41
<b>17.</b>		<b>OUR SECURITY INTEREST.....</b>	<b>41</b>
	A.	Collateral.....	41
	B.	Indebtedness Secured.....	42
	C.	Additional Documents.....	42
	D.	Possession of Collateral.....	42
	E.	Our Remedies in Event of Default. ....	42
	F.	Special Filing as Financing Statement. ....	42
<b>18.</b>		<b>DISPUTE RESOLUTION .....</b>	<b>43</b>
	A.	Governing Law .....	43
	B.	Submission to Jurisdiction.....	43
	C.	Enforcement of Agreement.....	43
	D.	Waiver of Punitive Damages. ....	43
	E.	Limitations. ....	44
<b>19.</b>		<b>NOTICES.....</b>	<b>44</b>
<b>20.</b>		<b>ACKNOWLEDGMENTS .....</b>	<b>45</b>

**Exhibits and Attachments:**

EXHIBIT A - Business Site / Franchise Information / Territory

EXHIBIT B - Guaranty and Assumption of Obligations

# BOXDROP, LLC

## FRANCHISE AGREEMENT

This Franchise Agreement (“**Agreement**”) is made effective as of \_\_\_\_\_, (the “**Effective Date**”) by and between BoxDrop, LLC, an Ohio limited liability company, whose principal place of business is 6221 Riverside Drive, #2N Dublin, Ohio 43017 (“**we,**” “**us,**” “**our,**” or “**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business addresses is indicated on the cover page of this Agreement (“**you,**” “**your,**” or “**Franchisee**”).

### RECITALS

- A. We and our affiliates have developed and own a valuable proprietary business method, trademarks, service marks, websites, trade secrets, media advertising, private labels, industry contacts, unique sales, operating and marketing methods, and unique programs that are all used in the establishment and/or operations of a business in the retail furniture and bedding industry, identified under the name “**BoxDrop**” offering products under the BoxDrop name and other specified commercial symbols and private labels and which service such products (each, a “**BoxDrop Business**” or “**Business**”). Franchisor owns, operates, licenses, and offers franchises to operate BoxDrop Businesses.
- B. We and our affiliates have developed, and use, promote and license certain trademarks, service marks, and other commercial symbols in operating BoxDrop Businesses including “BD BOXDROP FURNITURE,” and “BOXDROP MATTRESS & FURNITURE DIRECT,” and we or our affiliates may create, use and license other trademarks, service marks, and commercial symbols for use in operating the BoxDrop Businesses (collectively, the “**Marks**”).
- C. We offer franchises to own and operate two different types of BoxDrop Businesses each which are operated from a single location, selling and offering the products and services authorized by us (and only the products and services authorized by us) and using our business system, business formats, methods, advertising designs, trade dress, standards, specifications and Marks, all of which we may improve, further develop and otherwise change from time to time (collectively, the “**System**”).
- D. Under this Agreement, you will select to operate a BoxDrop Business that either offers and sells (i) mattresses and bedding products only (a “**Mattress Only Business**”), or (ii) mattresses and bedding products along with additional furniture products such as sofas and other home furnishings (a “**Mattress and Sofa Business**”).
- E. You desire to learn our unique system of merchandising, distributing, and selling bedding products and/or sofas and home furnishings and to develop, own, and operate a BoxDrop Business pursuant to our System. You have provided us with certain information to confirm your qualifications to do so. We are willing to teach you our System and grant you a franchise to develop, own, and operate a BoxDrop Business based on the information you have provided and subject to the terms and conditions set forth in this Agreement.

## AGREEMENT

**FOR AND IN CONSIDERATION** of the foregoing Recitals and the undertakings and commitments set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### 1. GRANT OF FRANCHISE

A. **Grant.** Subject to, and consistent with, the terms of this Agreement, we grant you a license to use the System and the Marks (the “**Franchise**”) solely in connection with the development, ownership, and operation of a BoxDrop Business which is either a Mattress Only Business or a Mattress and Sofa Business. You will select which type of BoxDrop Business you will operate at the time you execute this Agreement, by designating the type of business on the cover page of this Agreement and Exhibit A. During the Term of this Agreement, you will continue to operate your BoxDrop Business as either a Mattress Only Business or a Mattress and Sofa Business, and you will deviate from your selected BoxDrop Business option. Pursuant to the Franchise, you will operate your BoxDrop Business (i) at a single location site (the “**Site**”) and within a designated geographical area (the “**Territory**”) depicted or described on Exhibit A, and (ii) away from the Site in connection with certain temporary event marketing activities located within the Territory or outside the Territory if the area in which the event marketing activity takes place is not then in a territory granted to another franchisee. You may also use a BoxDrop Business to deliver Products to customers outside the Territory and to service Products which you have sold to customers who reside outside the Territory. You accept the foregoing grant of the Franchise and agree to use the System and the Marks solely in connection with developing and operating a BoxDrop Business at the Site and in strict compliance with the terms, conditions and limitations set forth in this Agreement. If the Site is not determined when this Agreement is executed, it will be determined in accordance with Section 2.A and listed on an Amended and Restated Exhibit A. This Agreement does not grant Franchisee the right to use the System at any location other than the Site, and Franchisee may not provide goods or services outside of the Site, except as expressly provided for herein. The Franchise granted to you under this Agreement is personal in nature and does not include the right to sell Products or provide services identified by the Marks through any other channels of distribution, including the internet (or any other existing or future form of electronic commerce) other than as we may authorize in our Operations Manual (as defined below). You will not have the right to sub-franchise or sublicense any of your rights under this Agreement. You will not use the BoxDrop Business for any purposes other than the operation of a BoxDrop franchised business.

B. **Term.** The term of the Franchise (the “**Term**”) will begin on the Effective Date and end, unless sooner terminated in accordance with this Agreement, on the tenth (10<sup>th</sup>) anniversary of the Effective Date.

C. **Best Efforts; Representations and Warranties.** Only Franchisee is authorized to operate the Franchise. Franchisee must at all times faithfully, honestly, and diligently perform its obligations and fully exploit the rights granted under this Agreement. Franchisee must be organized as business entity (a corporation, a limited liability company, or other limited liability form - collectively, an “**Entity**”), and Franchisee agrees and represents that:

1) its organizational documents, operating agreement, or partnership agreement will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to this Agreement's restrictions;

2) Exhibit A to this Agreement completely and accurately describes all of Franchisee's owners and their interests in Franchisee. Subject to Franchisee's rights and obligations under Section 12, Franchisee and its owners agree to sign and deliver to Franchisor revised Exhibits A to reflect any change in the information that Exhibit A now contains;

3) Each of Franchisee's current and future owners (but not their respective spouses) shall execute the Guaranty and Assumption of Obligations Agreement, in the form attached to this Agreement as Exhibit B, whereby each Franchisee owner personally agrees to be bound by and personally liable for the breach of, jointly and severally, all provisions of this Agreement and any ancillary agreements between Franchisee and Franchisor and its affiliates, including without limitation the provisions of non-compete; and

4) An individual approved by Franchisor (the "Operating Owner") should directly or indirectly own at least fifty-one percent (51%) of the ownership interests in Franchisee and must devote substantially all of his or her business time and efforts (at least thirty (30) hours per week) to the operation, promotion, and enhancement of the business of the Franchise owned by Franchisee. The Operating Owner's name is listed on the cover page of this Agreement and Exhibit A. In the event the Operating Owner does not own at least fifty-one percent (51%) of the ownership interests in Franchisee, Franchisee's owners agree that Franchisor may communicate and direct the Operating Owner with respect to the franchise operations.

## 2. **TERRITORY**

A. **Territorial Selection.** At the time your Site is selected, we will designate and set forth on Exhibit A your Territory. The Territory is based on many factors, including geographical boundaries, political boundaries, population, demographics, and other parameters more fully described in the Operations Manual, and therefore the size of the Territory will vary amongst franchisees. There is no minimum or maximum size for a Territory.

B. **Territorial Rights.** Provided that you are in full compliance with your obligations under this Agreement and all other agreements between you and us (or any of our affiliates), and subject to the limitations set forth in this Agreement, we agree that we will not, during the Term, ourselves develop, open or operate a BoxDrop Business or grant any other person or entity, including our affiliates, the right or license to develop, open or operate a BoxDrop Business which operated under the Marks and the System at any site which is located within the Territory. Additionally, while you are in compliance with this Agreement, and subject to the limitations set forth in this Agreement, we will not, during the Term, engage, or authorize others to engage, in targeted advertising for another BoxDrop Business in your Territory unless a particular medium used by you or another franchisee (for example, a particular newspaper, television or radio station) naturally reaches more than one territory (like a radio or TV advertisement).

Your rights to your Territory may be terminated if you are in default under this Agreement or any other agreement between us, if you fail to meet the applicable Minimum Purchasing Amount, or if this Agreement expires or is terminated for any reason. This Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises. If you want to open additional BoxDrop Businesses within your Territory or within another area you will be subject to the regular franchisee approval process and will have to sign a new Franchise Agreement for each additional BoxDrop Business and pay the initial franchise fees.

C. **Loss of Territorial Rights.** Continuation of the protected rights in your Territory, as set forth herein, is dependent upon the achievement of certain identified benchmarks. During the initial twelve (12) months of operation of your BoxDrop Business, starting upon the date of your grand opening (the “**Grace Period**”), you will be required to make a minimum of Seventy-Five Thousand Dollars (\$75,000) in annual purchases of Product from us (or our affiliate). Following the Grace Period you will be required to make a minimum of One Hundred Thousand Dollars (\$100,000) in annual purchases of Product from us (or our affiliate) during the next succeeding twelve month period. Beginning on the twenty-fifth (25<sup>th</sup>) month of operation of your BoxDrop Business, you will be required to make a minimum of Two Hundred Thousand Dollars (\$200,000) in annual purchases of Product from us (or our affiliate) (the “**Minimum Purchasing Amount**”) for each succeeding twelve-month period of the Term. We reserve the right to change the Minimum Purchasing Amount from time to time, and if the Minimum Purchasing Amount is so modified, it will be set forth in the Operations Manual. After the Grace Period, you must meet the applicable Minimum Purchasing Amount each year thereafter. If you fall below the applicable Minimum Purchasing Amount, we will place you on a performance improvement program which we will design with you to assist you in more successfully selling Products which, in turn, will aid you in meeting the Minimum Purchasing Amount (such plan, the “**Performance Improvement Program**”). The Performance Improvement Program typically last 6 months and generally includes an analysis of your advertisements; determining the effectiveness of those advertisements; reviewing your initial phone approach and selling process; and analyzing your sales results. Once we determine your baseline results, you will work with your Divisions Business Coach to implement a plan for improvement, which may include certain requirements such as additional marketing, extended hours of operations for the Business, additional services which may be provided from the Business and/or a more narrow Products offering for your Business. If you fail to achieve the Minimum Purchasing Amount in the fiscal year after completion of the Performance Improvement Program, we have the right, but not the obligation, at our sole discretion, to do one or more of the following: (i) terminate the protected rights for your Territory granted to you pursuant to Section 2.B of this Agreement; (ii) reduce the size of the Territory; or (iii) charge you a fee of up to 10% of the Minimum Purchasing Amount less your actual amount of purchases for that fiscal year. You will be bound by our decision. If you continue to fail to meet the applicable Minimum Purchasing Amount in any fiscal year after the loss of the protected rights for your Territory granted to you pursuant to Section 2.B of this Agreement, we may terminate your Franchise Agreement. Additionally, in addition to and not by way of limitation to the foregoing, if you fail purchase any Products from us for six (6) consecutive weeks or if you fail to order from us a minimum aggregate amount of \$3,000 worth of Products during any calendar month, we may in our discretion, in addition to other rights we have under this Agreement (and not by way of waiver thereof), reduce or modify the size of the Territory.

**D. Rights Maintained by Franchisor; Limitations on Territorial Rights.**

Notwithstanding anything to the contrary herein, Franchisor (and any affiliates of Franchisor) shall at all times have the right to engage in any activities deemed appropriate by us that are not expressly prohibited by this Agreement. We grant rights only by expressed written provisions in this Agreement or in other written agreements, and not orally or by implication. Therefore, we reserve for ourselves and our affiliates all rights which are not expressly granted to you in this Agreement. Notwithstanding anything to the contrary herein, and without limitation and without regard to proximity to the Business, we reserve the right to, and we, our affiliates and designated licensees shall not be prevented from:

1) manufacturing, distributing, marketing, and selling products, whether or not identified by the Marks, in any channel of distribution (a) anywhere in the world through catalogues, the internet and e-commerce and (b) at or from any physical location other than in the Territory;

2) owning, establishing, operating, and licensing and/or franchising others to own, establish and operate BoxDrop Businesses using the Marks anywhere in the world other than in the Territory;

3) owning, establishing, operating, and licensing and/or franchising others to own, establish and operate retail bedding, bedding supplies and home furnishings businesses under other trademarks, service marks, logos, or commercial symbols other than the Marks anywhere other than the Site;

4) manufacturing, distributing, marketing, and selling the same or substantially similar Products under trademarks, service marks, logos, or commercial symbols other than the Marks anywhere within the Territory;

5) using the Marks and System in any manner in connection with any other business;

6) advertising Products in the Territory in any advertising medium which naturally reaches your Territory (including without limitation radio, television, internet and Social Media) and at least one area outside your Territory;

7) delivering Products to and servicing Products sold to customers in the Territory through means other than a BoxDrop Business in the Territory; and

8) engaging in any other activities not expressly prohibited in his Agreement.

**3. YOUR OBLIGATIONS TO DEVELOP THE BUSINESS**

You have the following obligations with respect to locating the Site and developing and opening the Business (collectively, the “**Development Obligations**”):

**E. Locating and Procuring the Site.** If the Site is identified on Exhibit A, we have approved the Site, and you must secure possession of it for purposes of developing and operating the Business. If the Site is not identified on Exhibit A, you must promptly locate and seek our approval of a proposed site within the Territory before securing possession of it. Once we have

approved the proposed site, you must promptly execute an Amended and Restated Exhibit A to identify the site as the Site at which the Business will be developed and from which it will be operated pursuant to this Agreement. You must then secure possession of the Site for purposes of developing and operating the Business. You agree not to move forward with any other Development Obligations until such time as the approved Site has been identified on Exhibit A or on an Amended and Restated Exhibit A. While we may provide certain assistance, guidance and advice regarding potential sites, we are not obligated to do so. The obligation and responsibility to find and propose suitable sites to us for approval rest entirely with you. You acknowledge and agree that our approval of the Site is merely our determination, entirely for our own purposes, that the Site meets our current criteria. Our approval does not constitute a representation or warranty of any kind, express or implied, of the Site's suitability for the Business, and you confirm that you have not relied and will not rely on our approval for that purpose. You recognize that demographic and/or other factors could change at any time before or during your operation of the Business, altering the Site's potential and suitability. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the Site we recommend or approve fails to meet your expectations. Your acceptance of the Franchise and the Site is based on your own independent investigation of, or agreement in the future to investigate, the Site's suitability.

F. **Lease Approval.** If you choose to lease the premises, we must approve the terms of any lease or sublease (the "Lease") that will govern your occupancy and possession of the approved Site before you sign it. The Lease must contain the terms and provisions that are reasonably acceptable to us. You acknowledge that neither our approval (should we grant it) nor any guidance and assistance that we provide or have provided in connection with your negotiation of the Lease constitute a guarantee or warranty, express or implied, of the success or profitability of the Business to be operated at the Site, of the suitability of the lease or sublease for your business purposes, or that the terms of the lease, including rent, represent the most favorable terms available in the area in which the Business will be operated. You confirm and represent to us that you have not relied on our approval or guidance for that purpose. You acknowledge and agree that our review and approval of the Lease are limited to those provisions and items that we believe are necessary and appropriate solely for our own purposes and our own benefit as owner or licensee of the Marks and System. We are not acting as your agent or a representative in conducting that review or in approving the Lease.

G. **Development of the Business.** At your expense, you must construct, install trade dress and furnish fixtures in, and otherwise develop the Business at the Site according to our standards, specifications and directions. You acknowledge and agree that it is entirely your responsibility to develop the Business at the Site. Therefore, you shall, without limitation, complete each of the following in connection with developing the Business:

- 1) secure all financing or funding you require to develop and operate the Business;
- 2) secure possession of the approved Site in a manner which allows you to develop and operate the Business in accordance with the requirements of the System Standards (as defined below);

3) prepare all required construction plans and specifications for the Business in compliance with System Standards, the Americans with Disabilities Act (the “**ADA**”) and similar federal, state, and local laws and rules governing public accommodations for persons with disabilities, and all other applicable laws, statutes, ordinances, building codes, permit requirements, and lease requirements and restrictions;

4) obtain all permits and licenses required to construct and operate the Business;

5) construct all required and approved improvements to the Site, including purchasing or leasing and installing all necessary or appropriate equipment, fixtures, furnishings, signs and decorations for the Business according to the System Standards we provide to you;

6) purchase from us the opening inventory of authorized and approved products which will be offered to customers of the Business, including, as necessary and required for the type of BoxDrop Business you will operate, all or portions of our approved bedding, bedding supplies, sofas and home furnishings (the “**Products**”) as we determine from time to time, and other materials and supplies needed for your operation of the Business in accordance with the System and System Standards;

7) secure all insurance required by this Agreement and secure such other types of insurance and with coverage limits which you determine are necessary and appropriate for the protection of your Business; and

8) completion of all required pre-opening training and employing staff which are fully trained and at levels which are necessary to operate the Business in accordance with the System Standards.

H. **Opening the Business.** Upon completion of all of the Development Obligations and at least 5 days prior to your desired opening, we must approve your Business for opening. We reserve the right to develop a New Business Checklist, in the form we specify, under which, among other things, you certify that all of the Development Obligations have been satisfied and completed. If we develop such a New Business Checklist, you must complete and execute such checklist to us within the timeframes we may require in the Operations Manual. Once we have approved the BoxDrop Business as having been developed in accordance with our System and System Standards, we indicate our approval to open the BoxDrop Business utilizing the System and Marks. However, our approval is not a waiver of and does not relieve you of the obligation to have completed all Development Obligations prior to opening. You agree that you will not open the BoxDrop Business for operation until we have approved the opening as described in this paragraph. You agree to complete the Development Obligations, and submit the New Business Checklist (if applicable), no later than ninety (90) days following the Effective Date. Provided, however, that if we determine at the end of the ninety (90) day period that you are continuing to actively and diligently obtain a suitable location and/or Lease and otherwise comply with your pre-opening obligations so that you can reasonably be expected to open your BoxDrop Business within an additional ninety (90) day period, we will not take action to terminate this Agreement pursuant to Section 14.B. until the earlier of one hundred eighty (180) days after the Effective Date or such earlier date that we determine, in our sole discretion, that you are

no longer actively and diligently attempting to open the BoxDrop Business.

#### 4. **FEES AND PAYMENTS**

A. **Initial Franchise Fee.** In consideration for the initial grant of the Franchise, you agree to pay us an initial fee of Fifteen Thousand Dollars (\$15,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is compensation to us for our grant of the Franchise and for no other purpose. Inasmuch as the Franchise is granted immediately upon our execution of this Agreement, the entire Initial Franchise Fee is fully earned by us when we sign this Agreement, and it is not refundable in whole or in part regardless of whether you ever open the Business. The Initial Franchise Fee is due and payable to us, as follows, at your option: (i) payment in full of the entire amount of the Initial Franchise Fee in a lump sum, at the time you sign this Agreement, or (ii) payment of Three Thousand Dollars (\$3,000) as a down payment upon execution of this Agreement and the remaining balance paid in equal installments over twelve (12) months pursuant to a promissory note. Notwithstanding the foregoing, if you are honorably discharged from any branch of the U.S. Military, you shall receive a ten percent (10%) discount on your Initial Franchise Fee, and will only be charged Thirteen Thousand Five Hundred Dollars (\$13,500.00) for your Initial Franchise Fee.

B. **National Marketing Fee.** If we elect to implement a National Marketing Fund, you shall pay us, on or before the fifth (5<sup>th</sup>) day of each month (the “**Payment Date**”), a reoccurring fee, in the amount that we designate from time to time, which will not exceed two percent (2%) of the aggregate purchase price of all Products you order from us or our affiliates during the previous calendar month, for the National Marketing Fund (as defined below) (such fee the “**National Marketing Fee**”). The current National Marketing Fee is set forth on Exhibit A, however we reserve the right to modify such, subject to the terms set forth herein. The National Marketing Fee will be uniform among all franchisees of the System. The National Marketing Fee shall be paid to us pursuant to Section 4.I. The National Marketing Fee shall be used by us pursuant to the terms and conditions set forth in Section 9.D below.

C. **Regional Advertising Fee.** If we elect to implement a Regional Advertising Fund, you shall pay us, on or before the Payment Date, a reoccurring fee, in the amount that we designate from time to time, which will not exceed one percent (1%) of the aggregate purchase price of all Products you order from us or our affiliates during the previous calendar month, for the Regional Advertising Fund (as defined below) (such fee the “**Regional Advertising Fee**”). The current Regional Advertising Fee is set forth on Exhibit A, however we reserve the right to modify such, subject to the terms set forth herein. The Regional Advertising Fee is in addition to the National Marketing Fee. The Regional Advertising Fee shall be paid to us pursuant to Section 4.I. The Regional Advertising Fee shall be used by us pursuant to the terms and conditions set forth in Section 9.E below.

D. **Propriety and Software and Online Fee.** We may charge you reasonable fees, which will not exceed Two Hundred Dollars (\$200) a month, if we develop or have developed (and, once developed, for supporting, modifying and enhancing) software or other technology that we or our affiliates periodically license to you and for other computer system, social media, or mobile application maintenance and support services that we or our affiliates periodically provide to you, including mobile applications, marketing and advertising assistance, help desk

services, data management services, polling and network administration, and software support; however, any such fees that we or our affiliates periodically charge you will be at the rate that we uniformly charge to all other BoxDrop Businesses, including our company-owned locations, for the same or similar products and services. We also may charge you for the Business' share of certain fees and charges periodically imposed by one or more vendors for software or other products or services relating to the Computer Systems and the computer systems of other BoxDrop Businesses. If we charge you for these fees, you shall pay the amount of such fees on the Payment Date pursuant to Section 4.I.

E. **Competitive Business Violation Fee.** In addition to any other remedies or damages allowed under this Agreement, including seeking injunctive relief, if you breach the covenants set forth in Sections 11 and 14.E (the "**Restrictive Covenants**"), you shall pay us a fee equal to the sum of the following (the "**Non-Compete Fee**"): (i) our then-current Initial Franchise Fee for each Competitive Business (as defined below) in which you have an interest in violation of the Restrictive Covenants, *plus* (ii) ten percent (10%) of each such business's Gross Sales (as defined herein) earned through the expiration of the applicable noncompetition periods. For purposes of this Agreement, "**Gross Sales**" shall mean all revenue you (or your affiliates who are violating the Restrictive Covenants) receive from the sale of furniture, mattress, and bedding products, whether by cash, check, credit card, trade or otherwise, excluding only sales taxes collected and paid on behalf of your customers

F. **Relocation Fee.** If you choose to relocate the Business from the Site, and we provide prior written consent to such relocation, you shall pay us a fee in the amount of Five Hundred Dollars (\$500) (the "**Relocation Fee**"). The Relocation Fee shall be paid to us within thirty (30) calendar days after receipt of our written consent to such relocation, but before you begin any relocation activities. The Relocation Fee will help offset our time and efforts to assist in finding a new Site for you.

G. **Transfer Fee.** If you desire to transfer this Agreement, your rights herein, or any equity interest within you pursuant to Section 12, you shall pay us a transfer fee equal to Five Thousand Dollars (\$5,000) (the "**Transfer Fee**"). The Transfer Fee shall be paid to us at the time of the transfer, in immediately available cash.

H. **Successor Franchise Fee.** If you choose to renew the Franchise by obtaining a successor franchise pursuant to the terms and conditions contained herein, you shall pay us a renewal fee in the amount of Five Hundred Dollars (\$500) or 10% of the then-current Initial Franchise fee being charged to new franchisees (provided, however, that if we are not then offering new franchises, the fee shall be based on the last regular Initial Franchise Fee we were assessing to new franchisees generally), whichever is greater (the "**Successor Franchise Fee**"). The Successor Franchise Fee is due to us at least thirty (30) days before the expiration of the initial Term of this Agreement.

I. **Automatic Debit and Credit Card Payments.** We require that all payments owed by you to us or our affiliates, whether under this Agreement, the Note or otherwise, be paid by automatic debit to our designated bank account or by credit card. You agree to sign and deliver to us the documents we periodically require, to authorize us to debit your checking, other designated bank account, or credit card automatically for any amounts due from purchases

of Products, amounts due for contributions to a National Marketing Fund and/or Regional Marketing Fund as described in Section 8, and all other amounts due under this Agreement or any related agreement between us (or our affiliates) and you. We will debit your designated bank account or credit card at the time we receive your orders for Products (unless we, in our sole discretion, agree to provide you with payment terms based on our assessment and determination of your creditworthiness from time to time) and, if we elect to establish a National Marketing Fund and/or Regional Marketing Fund, on the dates each contribution is due under Section 9. You agree to make the funds available for withdrawal by electronic transfer before each required payment. We may periodically change the mechanism for your payments of the installments and other amounts you owe to us under this Agreement.

J. **Late Payment Charge; Interest on Delinquent Payments.** In addition to all other remedies we have, including, without limitation, the right to terminate this Agreement pursuant to Section 14, if you fail to pay or make available for withdrawal from your account any amounts you owe us, you (i) shall pay us a fee equal to \$200 per occurrence of each late or non-payment, and (ii) those amounts shall bear interest at the rate of 2 points over the WSJ Prime Rate published by the Wall Street Journal from the date due, calculated from the date such payment was due until it is received by us, but not to exceed the highest commercial contract rate of interest permitted by law.

## 5. **TRAINING AND GUIDANCE**

A. **Training by Us.** We will provide you with, and you agree to participate in and shall successfully complete, the following training sessions, programs and methods:

1) Unless attendance of training described here in this Section 5.A. is waived in writing by Franchisor, within 60 days after the Effective Date, you must attend and successfully complete the initial training program (the “**Initial Training Program**”). The content and duration of the initial training program will be at our discretion, but it may last up to 3 days. The Initial Training Program may include classroom training, instruction at designated facilities, hands-on training at an operating BoxDrop Business, remote training (including via internet access) and/or self-study programs. You acknowledge that we might already have begun providing this Initial Training Program before you sign this Agreement;

2) We reserve the right to require that you successfully complete other advanced or refresher training seminars to provide more in-depth and/or back to basics training and discussion around the operation of a furnishings and bedding business and marketing of the home furnishings, sofas and bedding lines of Products. The content and duration of the advanced or refresher training seminars will be at our discretion and may be held in our corporate headquarters or at other locations we designate in our discretion;

3) Should you satisfy the criteria in the Operations Manual and select to add additional furniture beyond mattresses and bedding to the approved Products your Business offers, and provided that you qualify to do so, you shall attend and complete all such required additional training sessions on the extended Product line and new furniture being offered for sale at your Business before you offer such Products for sale at your Business;

4) We conduct National Sales Conferences, at locations we determine, for all franchisees in good standing (that is, in compliance with this Agreement) up to 2 times per year. If you are eligible to attend a National Sales Conference, your attendance is highly encouraged. Each National Sales Conference may last up to 4 days plus your travel time. Unless we otherwise notify you in writing, you are responsible for all costs incurred by you or your representatives in connection with attending the conferences;

5) We may conduct periodic conference calls with you which may cover topics such as operations, best practices, management of your Business, Products, sales techniques, customer relations, and similar matters; and

6) We may conduct without prior notice, periodic field visits conducted by our personnel at your location.

Unless noted above, we do not, as of the Effective Date, charge a fee for your attendance at training sessions and conferences referenced in paragraphs (1), (2) and (3) above. We reserve the right to impose an attendance fee should we, in our discretion, deem it appropriate to do so. In all cases, you will be responsible for any and all costs you incur in attending training programs, conferences, and sessions, including, without limitation, transportation, living expenses, and labor related costs. If you change or replace any owners within your Entity, all such new owners shall be required to attend the Initial Training Program.

B. **Training by You.** You will ensure that there are a sufficient number of persons working in the Business at all relevant times, depending on the volume of business, each of whom must be trained by you, commensurate with the person's role, to effectively and efficiently operate the Business in accordance with the Operations Manual.

C. **Operations Manual and System Standards.** During the Term, we will provide you access to, and you shall comply with, our manuals and forms, consisting of such materials that we generally furnish to our franchisees from time to time for use in operating the Franchise and the BoxDrop Businesses (collectively, hereinafter, the "**Operations Manual**"). The Operations Manual (including all bulletins, and other written and electronic materials provided to you from time to time which shall become part of the Operations Manual) contains mandatory and suggested standards, operating procedures and rules that we periodically prescribe for operating a BoxDrop Business (the "**System Standards**"), information on Franchisee's other obligations under this Agreement, and specifications regarding use of the Marks. We may, through the Operations Manual, also issue, as necessary, ongoing updates of information and programs regarding Products, the Business business, and the System, including information about special or new services, products, or methods of operation developed for the System and made available to franchisees. We may, in our sole discretion and without limitation, modify the Operations Manual from time to time to reflect changes in System Standards and other requirements, and we will communicate any required changes to you. Any memoranda, bulletins, guides and other materials which identify or describe any part of the System Standards will automatically be deemed to be a supplement to and a part of the Operations Manual. In the event of a discrepancy between your copy of the Operations Manual and our copies, our master copy of the Operations Manual shall control. You agree to keep your copy of the

Operations Manual current and in a secure location. We or our affiliates are the sole owners of the copyright in and all other rights to the Operations Manual, and you may not reproduce or use them for any purpose other than in connection with your performance under this Agreement. You may not deviate from the System Standards and shall not use or introduce new services or standards at your Business. You are required to follow our mandatory System Standards in the operation of your Business.

At our option, we may post the Operations Manual and certain other bulletins and other written materials containing System Standards on a restricted website to which you will have access. If we do so, you must periodically monitor the website for any updates to the Operations Manual or System Standards. You must keep confidential any passwords and other digital identifications necessary to access the Operations Manual on such website. You agree that the contents of the Operations Manual are confidential and that you will not disclose the Operations Manual to any person other than employees of the Franchise who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual.

## **6. MARKS; COPYRIGHTS; AND CONFIDENTIAL INFORMATION**

A. **Right to Use Marks.** Your right to use the Marks is derived solely from this Agreement and is limited to your development and operation of the Business in accordance with and subject to all System Standards, the Operations Manual and in accordance with all restrictions contained in this Agreement. You agree to use the Marks as the Business' sole identification (except for the notices of independent ownership).

B. **Ownership and Goodwill of Marks.** You acknowledge and agree that the Marks and all goodwill associated with the Marks are owned by us or, as appropriate, our affiliates, which includes our parent, Retail Service Systems, Inc. You agree that neither you nor your owner will ever (during or after the Term) challenge our or our affiliates' exclusive rights to the Marks or engage in conduct which may adversely affect our reputation, your reputation, the reputation of the Business, or the goodwill associated with the Marks. Your unauthorized use of the Marks will be a material breach of this Agreement and deemed to be an intentional infringement of the rights held in and to the Marks by us and our affiliates. Your use of the Marks and any goodwill established by and attributable to such use will be exclusively for our and our affiliates' benefit, which means that you have no right to the Marks or their goodwill other than the right to use them as provided in this Agreement.

C. **Rules for the Use of Marks.** You must use the Marks as we prescribe from time to time in the Operations Manual, which may include rules on the designs, images, videos, sounds, colors, copy, text, emojis, and more. You shall give such notice of registration or other claim of trademark rights as we require for our Marks. You must use the name BoxDrop and the city, county, or region we designate for you as the trade name of the Business. You may not use any other mark or words to identify the Business without our prior written consent. Unless we approve otherwise, in writing, you may not use the Marks or any abbreviations thereof: (a) outside the Territory, (b) for any purpose not expressly authorized by this Agreement; (c) on or to identify any services, merchandise, products, or equipment, whether or not sold at the Business, except for

those Products and services we authorize to be provided at the Business; or (d) at any location other than the Site except in approved advertising and marketing within the Territory. You may not register or attempt to register in your own name any trade name using the Marks or any portion thereof. Except to the extent we authorize you to do so, you may not use or authorize the use of any Mark or any abbreviations thereof: (1) as part of any corporate or legal business name, (2) with any prefix, suffix or other modifying words, terms, designs or symbols (other than BoxDrop logos), (3) in selling any unauthorized services or products, (4) as part of any domain name, electronic address, metatag or otherwise in connection with any website, or (5) in any other manner not expressly authorized by us in writing. You agree to give the notices of trademark and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

D. **Modification and Discontinuance of Use of Marks.** We and/or our affiliates have the right to modify or discontinue any or all of the Marks at any time. There is no limit to our right to modify our Marks. If, in our opinion, it is desirable to modify, alter or discontinue the use of any of the Marks and/or use one or more additional or substitute Marks, you must comply with our directions within a reasonable time after receiving notice which shall not be longer than three (3) months; however, you will be permitted to use until exhausted your then-existing inventory of printed materials (unless such use is prohibited by law). If we elect to use a principal name other than “BoxDrop” to identify the franchise system, we may select another name and notify you to change all or some items bearing the Marks to the new name within a reasonable period of time as determined by us and you promptly shall adopt that name. If we modernize or update the Marks or their presentation or stylization, you shall promptly update and modify all signage with such modifications. We will not be obligated to reimburse you for any costs, loss of revenue, profits, start-up or other such expenses, or any other incidental or consequential damages attributable to the change in Marks or the name of the Franchise. Nothing in this Section affects your obligation to maintain signage and otherwise display the Marks in accordance with System Standards.

E. **Copyrighted and Copyrightable Materials.** During the Term, we will authorize you to use certain copyrighted and copyrightable materials in connection with the operation of the Business, including, without limitation, the Operations Manual, telemarketing scripts, handbooks, business manuals, all or part of the Marks, trade dress and other portions of the System and other materials (collectively, the “**Copyrighted Materials**”). You agree that, as between us and you, we or, as appropriate, our affiliates own and will own the Copyrighted Materials and all benefits inherent in such ownership. We and our affiliates may further create, acquire, or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of BoxDrop Businesses, including, but not limited to, all categories of works eligible for protection under the copyright laws of the United States, all of which shall be deemed to be Copyrighted Materials under this Agreement. We intend that all works of authorship related to the System and created in the future will be owned by us or our affiliates.

F. **Limitation on Your Use of Copyrighted Materials.** Your right to use the Copyrighted Materials is limited solely to the development and operation of the Business pursuant to and in compliance with this Agreement and with all applicable standards, specifications,

and operating procedures we prescribe from time to time. You will ensure that all Copyrighted Materials used hereunder bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws we prescribe specifying that we or, as appropriate, our affiliate, is the owner of the copyright. You acknowledge that this Agreement does not confer upon you any interest in the Copyrighted Materials, other than the right to use them in the development and operation of the Business in compliance with this Agreement. If we authorize you to prepare any adaptation, translation or work derived from the Copyrighted Materials, or if you prepare any Copyrighted Materials such as advertisements, posters or promotional materials, you hereby agree that such adaptation, translation, derivative work or copyrighted materials shall be our property, and you hereby assign all your right, title and interest therein to us. You agree to execute any documents, in recordable form, which we determine are necessary to reflect such ownership. You will submit all such adaptations, translations, derivative works and copyrighted materials to us for approval prior to use.

G. **Notification and Defense of Claims.** You shall notify us immediately of any claim by others (a) that you are infringing their trademark or copyright rights in connection with your use of the Marks or Copyrighted Materials, or (b) to any rights in the Marks or Copyrighted Materials which are inconsistent with this Agreement or our and our affiliates' exclusive rights to the Marks and Copyrighted Materials. You shall not communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge or claim. You will fully cooperate with us and our affiliates with respect to our or their prosecution of any infringement claim or our defense of a claim that you are infringing the trademark or copyright rights of any third party. We and/or our affiliates have the exclusive right to control any such prosecution or defense. You agree to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. At our option, we may defend and control the defense of any proceeding relating to any Mark, but we have no obligation to reimburse or otherwise indemnify you for any damages or expenses you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement.

H. **Confidential Information.** We and our affiliates have developed and will develop certain information, processes, methods, techniques, procedures and knowledge, including know-how (which includes information that is secret and substantial), the Operations Manual, other manuals and trade secrets (whether or not legislatively or judicially recognized as a trade secret) relating directly or indirectly to the development or operation of BoxDrop Businesses (the "**Confidential Information**"). With respect to the definition of know-how, "**secret**" means that the know-how as a body or in its precise configuration is not generally known or easily accessible and "**substantial**" means information which is important and useful to you in developing and operating the Business. Without limiting the foregoing, Confidential Information includes, but is not limited to:

- 1) methods, techniques, equipment, specifications, standards, designs, policies, business strategies and procedures, supply chains and information relating to the development, operation, and franchising of retail bedding, bedding supply, and home furnishings stores;

- 2) knowledge of and information with respect to customers of the BoxDrop Businesses;
- 3) knowledge of suppliers and specifications for certain materials, equipment and fixtures for BoxDrop Businesses;
- 4) operating results and financial performance of BoxDrop Businesses other than your Business;
- 5) customer communication and retention programs, along with data used or generated in connection with those programs, including Customer Information;
- 6) any and all marketing, promotional, or training materials and techniques used in the operation of or relating to BoxDrop Businesses; and
- 7) the System, System Standards, the Operations Manual, and all business manuals that we supply to you.

You acknowledge and agree that we or, as appropriate, our affiliates, own all right, title, and interest in and to the Confidential Information. We will disclose to you such parts of the Confidential Information as we determine are required for the operation of the Business during training and in guidance and assistance furnished to you during the Term. The Operations Manual contain Confidential Information, and you may learn or otherwise obtain from us additional Confidential Information during the Term. You acknowledge and agree that neither you, your owner, nor any other person or entity will acquire any interest in or right to use the Confidential Information, other than your right to utilize certain Confidential Information in the operation of the Business in accordance with this Agreement, and that the use or duplication of the Confidential Information in any other business or for any other purpose would constitute an unfair method of competition with us and our affiliates. You are permitted to disclose the Confidential Information to your owner and employees only to the extent reasonably necessary for the operation of the Business in accordance with this Agreement. You acknowledge and agree that the Confidential Information is confidential and is our valuable asset, is proprietary, and is disclosed to you solely on the condition that you (or your owner) and your employees who have access to it agree, and you do hereby agree, that, during and after the Term, you, your owner and your employees will (a) not use the Confidential Information in any other business or capacity, (b) maintain the absolute secrecy and confidentiality of the Confidential Information, (c) not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible or intangible form; and (d) adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information, including, without limitation, requiring all employees, contractors, agents, consultants and all other persons who will have access to such information to execute confidentiality agreements in a form periodically prescribed or approved by us. You agree to maintain such confidentiality agreements on file for 4 years after the employee executing such agreement has left your employment, and to provide us, at our request, executed originals of each such agreement.

Nothing contained in this Agreement shall be construed to prohibit you from using the Confidential Information that we specify in connection with the operation of the Business pursuant to this Agreement.

Notwithstanding anything to the contrary contained in this Agreement and provided you have obtained our prior written consent, the restrictions on your disclosure and use of the Confidential Information shall not apply to the following: (i) information, methods, procedures, techniques and knowledge which are or become generally known to the general public, other than through disclosure (whether deliberate or inadvertent) by you, your owner, your employees or any other person required under this Section 6.H to sign a confidentiality agreement; and (ii) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you notify us prior to disclosure and have used your best efforts to obtain, and have 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.

I. **Customer Information.** You must comply with our System Standards, other directions from us, prevailing industry standards, all contracts to which you are a party or otherwise bound, 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 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 any information related to the patrons of your BoxDrop Business, including, without limitation, names, ages, contact information, purchases, marketing preferences, reviews, warranty purchases, financial information, and other personal information of or relating to the BoxDrop Business customers and prospective 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 acknowledge and agree that we own all Customer Information and may use the Customer Information as we deem appropriate (subject to applicable law) including sharing it with our affiliates or contacting customers directly. We hereby grant to you a limited right to use the Customer Data for marketing purposes for your Site only, in all manners approved by us and consistent with the Systems Standards. Franchisee may not sell, share, or otherwise use the Customer Data for any other purpose without prior written consent from us.

J. **Innovations.** You shall promptly disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you and/or any of your affiliates, owners, agents, representatives, contractors, or employees during the Term relating to the sale of bedding, bedding supplies or home furnishing products or the development or operation of a BoxDrop Business (the “**Innovations**”). All Innovations are our sole and exclusive property, part of the System, and works made-for-hire for us or our designee. To the extent any Innovation does not qualify as a work made-for-hire, by this paragraph you assign ownership of that Innovation, and all intellectual property and other rights to the Innovation, to us or our designee and agree to sign and deliver such instruments and documents, provide such assistance and perform such other acts

as we periodically designate in order for us or our designee to obtain exclusive rights in such Innovations. We will have no obligation to make any payments to you or any other person with respect to any such Innovations. You will not use, nor will you allow any other person to use, any Innovations, whether in connection with the Business or otherwise, without obtaining our prior written approval.

## 7. **PRODUCTS AND PURCHASES**

A. **Restrictions on Purchase and Sale of Products.** You agree that throughout the Term and any renewals of this Agreement, you will make all inventory and promotional merchandise purchases for the operation of the BoxDrop Business from us, or as we direct, from our affiliates, and that you will maintain an adequate inventory of designated Products as may be necessary to meet reasonably expected consumer demand at the Business throughout the Term. Without our prior written approval, which we may withhold in our sole discretion, you may not manufacture, use, sell, or distribute, or contract with any party other than us or our affiliates to manufacture, use, sell, or distribute, any Products or other merchandise or equipment with or without the Marks. Because of the sensitive and competitive nature of our relationships with our manufacturers and suppliers (and those of our affiliates), you agree that you will not contact, directly or indirectly, any of the manufacturers or suppliers with whom we or our affiliates have established relationships or are attempting to establish relationships or otherwise interfere with or attempt to interfere with those relationships. You may sell Products only at retail to customers of the Business, and you may not sell any Products through mail order or a website or at a location other than the Site (except for limited, short term, off-site, promotional purposes which we approve in advance). We have the right to derive revenue from you and to derive revenue and receive payments from manufacturers and suppliers on account of sales to you and other licensees and franchisees and to use all such amounts we receive without restriction for any purposes we deem appropriate.

You acknowledge that, under the System Standards, we limit the types of Products you are able to sell in the Business depending upon the type of BoxDrop Business you select to operate. As a result, the types of Products you are allowed to sell in the Business may be different from those which are offered in other BoxDrop Businesses from time to time. If you select to operate a Mattress Only Business, you will not be permitted to offer additional furniture such as sofas, living room furniture or other home furnishings.

B. **Product Orders.** We will make commercially reasonable efforts under the circumstances present at the time of your order to fill and ship as soon as practical each of your orders for Products. However, we will not have any obligation to you for any failure or delay in the manufacture, delivery, or shipment of the Products pursuant to your order caused by an event or condition which is beyond our reasonable control or that of our affiliates, including, without limitation, manufacturer delays, strike, fire, flood, explosion, act of terrorism, weather, casualty or government regulation, order or restriction. In no event will we or our affiliates be required to fill and/or ship an order to you if you are in default of this Agreement or unless and until you have paid any and all outstanding amounts due and owing to us or our affiliates. You agree to comply with our policies and requirements with respect to receiving deliveries, handling items which have been damaged in transit, and return of items. We will post these policies and

requirements in the Operations Manual and reserve the right to modify them from time to time. If you violate these policies, we reserve the right to reduce the Product offerings to you, such as removing the right for you to order Products from a specific vendor or vendors.

C. **Prices and Payment Terms.** We may, in our sole discretion, offer discounts and/or payment terms with respect to your purchases of Products. We are not obligated to do so, and you agree to pay for all purchases of Products, in full, at the time you place the order. If we offer payment terms to you, we reserve the right at any time to change or discontinue any such payment terms for any reason. The fact that we may, with respect to any particular order or orders, permit you to make payment pursuant to payment terms shall not preclude us from insisting, with respect to any or all other orders, that payment be made at the time the order is placed. Outside of any written special payment terms provided by us, you agree to use our online electronic payment system to make all purchases. Should you fail to timely pay for any order of Products, in addition to any other rights and remedies we might have, we may assess a late payment charge of 10% of the amount of the order. We may also refuse to ship or arrange for shipment of any Products you order until such time as the full payment, together with any assessed late payment charges, have been received by us.

If in our sole discretion, you are provided with an order limit to place orders for inventory whereby you are allowed to carry a balance with us, you agree to guarantee the amount of the inventory purchase being carried by us. The guarantee will be made by both the Entity and your owners. You further acknowledge that providing and carrying such an order amount is optional on our part and may be discontinued at any time. In the instance of its discontinuance, you agree to pay the balance owed at that time in full within four weeks of the discontinuation of such order to balances and limits.

D. **NO WARRANTIES; LIMITATIONS OF LIABILITY.** WE AND OUR AFFILIATES MAKE NO WARRANTIES WHATSOEVER TO YOU CONCERNING ANY OF THE PRODUCTS. WARRANTIES FROM THE MANUFACTURER OF THE PRODUCTS WILL BE PASSED THROUGH TO YOU WHERE POSSIBLE. YOU AGREE TO INITIATE AND PROCESS ANY AND ALL WARRANTY CLAIMS SOLELY THROUGH US, AND WE WILL PROCESS THEM ON YOUR BEHALF WITH THE MANUFACTURER OR VENDOR AS YOUR AGENT FOR THAT PURPOSE. HOWEVER, YOU RECOGNIZE AND AGREE THAT RESPONSIBILITY FOR ALL SUCH CLAIMS RESTS WITH AND SHALL BE ASSERTED AGAINST THE MANUFACTURER OR VENDOR AND NOT AGAINST US OR OUR AFFILIATES. ALL PRODUCTS ARE SOLD TO YOU "AS IS" BY US OR OUR AFFILIATES. WE AND OUR AFFILIATES HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND NEITHER ASSUMES NOR AUTHORIZES ANY OTHER PERSON TO ASSUME FOR IT ANY LIABILITY IN CONNECTION WITH THE SALE OF ANY PRODUCT. YOU SHALL NOT BE ENTITLED TO RECOVER FROM US OR OUR AFFILIATES (WHETHER IN CONTRACT, TORT OR BY STATUTE OR OTHERWISE, INCLUDING OUR NEGLIGENCE OR THAT OF OUR AFFILIATES OR OTHERS, OR PRODUCT LIABILITY) ANY CONSEQUENTIAL DAMAGES INCLUDING ECONOMIC DAMAGES, DAMAGES TO PROPERTY, DAMAGES FOR LOSS OF USE, LOSS OF TIME, LOSS OF PROFITS OR

INCOME OR ANY OTHER INCIDENTAL DAMAGES. YOU HEREBY AGREE TO HOLD US AND OUR AFFILIATES HARMLESS FROM AND INDEMNIFY US AND OUR AFFILIATES AGAINST ANY AND ALL LIABILITY (WHETHER IN CONTRACT, TORT OR BY STATUTE OR OTHERWISE INCLUDING OUR NEGLIGENCE OR THAT OF OUR AFFILIATES OR OTHERS, AND PRODUCT LIABILITY) WITH REGARD TO ANY PRODUCTS SOLD TO YOU BY OR OTHERWISE THROUGH US OR OUR AFFILIATES.

## **8. OPERATION OF THE BUSINESS AND SYSTEM STANDARDS**

A. **Compliance with System Standards and Applicable Laws.** You alone are responsible for operating the Business and agree to operate the Business in full compliance with all applicable laws, ordinances and regulations (including, without limitation, bonding and licensing requirements) and with all System Standards, as we may periodically modify them, as if they were part of this Agreement. All references to this Agreement shall include all System Standards, as periodically modified. Without limiting the foregoing, you shall not offer, sell, or provide at or from the Business inventory, products, goods or services which are not approved Products for your Business and you shall offer, sell, and provide all those products, goods and services we prescribe for your Business from time to time. You agree that all mandatory System Standards that we prescribe in the Operations Manual, or otherwise communicate to you in writing or another form, are part of this Agreement as if fully set forth within its text. All references to this Agreement include all mandatory System Standards as periodically modified. You acknowledge that our periodic modification of the System Standards (including to accommodate changes to the Marks), which may accommodate regional and/or local variations, may obligate you to invest additional capital in the Business and incur higher operating costs, and you agree to comply with those obligations within the time period we specify.

We may issue and modify System Standards that may regulate any aspect of the Business' operation and maintenance. Without limiting the generality of the foregoing, System Standards may regulate any one or more of the following:

- 1) the design and appearance of the Business, including, but not limited to, the Business' branding and cleanliness;
- 2) minimum and required standards and specifications for Products, equipment, materials, and supplies and services that your Business uses or sells;
- 3) staffing levels for the Business; dress and appearance of your employees; and standards for providing competent and courteous service to customers (although you have the sole responsibility and authority for the terms and conditions of employment of your employees);
- 4) use and display of the Marks and required signage and postings;
- 5) days and hours of operation;
- 6) participation in market research and testing and product and service development programs, including advertising campaigns;

- 7) standards and procedures for your and your employees' and other representatives' authorization to use, and use of, blogs, common social networks like Facebook, professional networks like Linked-In, live-blogging tools like Twitter, virtual worlds, Tik Tok, file, audio and video sharing sites like Pinterest and Instagram, and other similar social networking or media sites or tools (collectively, "**Social Media**"), including our Social Media policies as may be modified from time to time that in any way reference the Marks or involve your BoxDrop Business;
- 8) collection and use of Customer Information;
- 9) acceptance of credit and debit cards, other payment systems, check verification services, and third party funding options for customer payments;
- 10) establishment and use of bookkeeping, accounting, data processing, and recordkeeping systems and forms, including document retention requirements;
- 11) the amount of required minimum inventory purchases;
- 12) software programs and inventory ordering programs;
- 13) methods for delivering the Products purchased from your Business to your customers; and
- 14) any other aspects of operating and maintaining the Business that we determine to be useful to preserve or enhance the efficient and consistent operation, image, or goodwill of the Marks and of BoxDrop Businesses.

System Standards will not include any employment-related policies or procedures and will not dictate or regulate the terms and conditions of employment for your employees. Any information or materials we provide (whether in the Operations Manual or otherwise) concerning employment-related policies or procedures, or relating to the terms and conditions of employment for your employees, are merely suggestive and for your optional use.

**B. Compliance with Laws.** Franchisee, at Franchisee's sole expense, must secure and maintain in force throughout this Agreement's Term (and all successive franchises thereafter) all required licenses, permits, and certificates relating to the Business' operation and operate the Business in full compliance with all applicable laws, ordinances, and regulations. The Business must in all dealings with its customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and must adhere to the Code of Conduct contained in the Operations Manual. Franchisee agrees to refrain from any business or advertising practice which might injure Franchisor's business or the goodwill associated with the Marks or other BoxDrop Businesses. Franchisee must notify Franchisor in writing within five (5) days of: (1) the commencement of any action, suit or proceeding relating to the Business; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental entity which might adversely affect Franchisee's operation or financial condition or that of the Business (including the revocation or threatened revocation of any license, permit or certification applicable

to the Business); and (3) any notice of violation of any law, ordinance or regulation relating to the BoxDrop Business.

C. **Business Management.** The Operating Owner must supervise the operation of the Business and must devote full-time efforts to the operation of the Business and, if applicable, to other BoxDrop Businesses operated pursuant to other franchise agreements with us.

D. **Notices of Independent Ownership.** You will prominently identify yourself in the Business, including in the areas of the Business in which all official employment-related notices are posted, and on all contracts, checks, invoices, stationery, business cards and advertising materials which you use in operating your Business as the independent owner of the Business and our authorized franchisee.

E. **Approved Vendors for Non-Product Items.** In addition to the restrictions contained in Sections 7 and 8 with respect to Products, we have the right, on 30 days' notice, to require you to purchase other products, supplies, furniture, fixtures, equipment and services used in the development or operation of the Business only from suppliers that we designate or approve (which may include or even be limited to us, our affiliates and/or other restricted sources), and then use them or offer them for sale (as applicable) in the Business. We have the right to derive revenue from you and to derive revenue and receive payments from suppliers on account of their sales to you and other licensees and franchisees and to use all such amounts we receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate.

F. **Computer System.** During the Term, you must have access to computer hardware with high speed internet access, have access to a program for accessing any files in PDF, Microsoft Word (.doc), and Microsoft Excel (.xls) or comparable software programs, and also have an email account (collectively, the "**Computer Systems**") that allows you to access the System Network (as defined below). We may periodically require you to change, upgrade or update the Computer System's components (including software). No contract limits the frequency or cost of changes, upgrades or updates that we may require. We may charge additional fees for your use of other computer system maintenance and support services that we or our affiliates periodically provide to you. We also may charge you for your Business' share of fees and charges which software or other vendors periodically impose relating to the Computer System, the System Network or the System Website. Your Business must have internet access, and you are required to maintain, at all time, internet connectivity. You are also required to use certain software, programs, and applications for the operations of your Business, some of which require a monthly, annual, or per transaction fees. A list of all required applications is in our Operations Manuals, which may be modified from time to time.

## 9. **ADVERTISING, PROMOTION, AND MARKETING**

A. **Approval of Marketing Materials.** The marketing techniques and strategies we mandate are critical to the operation of the Business in accordance with the System Standards. You agree to follow our recommendations and requirements with respect to the kinds and types of advertising and the media used and shall not spend any amounts for or use any kind of advertising and promotion other than that prepared, recommended, or required by us without first

obtaining our written consent. You must obtain our approval before using any advertising materials which incorporate any of the Marks, including your required exterior signage (which requirements are set forth in more detail in the Operations Manual). We reserve the right to approve any other advertising and promotional material that you propose to use which has not previously been approved by us. If we exercise that right, you must submit such materials to us at least 5 business days before you intend to use them. If we do not notify you of our disapproval of these materials within 3 business days after we actually receive them, they will be deemed disapproved. You will pay the reasonable cost of all materials supplied by us for advertising and promotion purposes, including the pro rata share of cost of creative work, printing, engraving and films. You must use only those interior and exterior signs that we approve. All advertising, promotion, and marketing conducted by you must be legal and not misleading and conform to the policies set forth in the Operations Manual as we prescribe from time to time.

**B. Franchise System Website.** We retain the sole right to advertise, market, and promote BoxDrop Businesses, the Products and services that they offer and sell, and the BoxDrop Business franchise opportunity on one or more websites, mobile applications, social media accounts and other online presences which may currently exist or that may exist at any time in the future, including but not limited to Social Media accounts, text messaging, e-mail, Google Business Profile, Twitter, Pinterest, Instagram, TikTok, LinkedIn, Facebook, YouTube and internet ad buys (each a “**System Website**”), and to create, operate, maintain and modify or discontinue the use of, a System Website using the Marks. If we establish one or more System Websites, you must give us the information and materials that we periodically request. We will own all intellectual property and other rights in the System Website and Social Media accounts relating the System and your BoxDrop Business and all information it contains (including the domain name or URL for such webpage, the log of “hits” by visitors, and any personal or business data that visitors supply). We may use the National Marketing Fund’s assets to develop, maintain and update System Websites and may implement and periodically modify System Standards relating to the System Websites. We also may, at our option, discontinue any or all System Websites at any time.

We will build and maintain one or more pages for your Business within our System Website and Social Media accounts and will maintain ownership and administrative privileges over any such websites and Social Media accounts, including any websites, pages, and accounts to advertise your business (such as a Facebook advertising account). We may establish Social Media accounts and pages for your BoxDrop Business and we will own all such accounts and pages. If we establish such Social Media or System Website pages for your BoxDrop Business, we will provide you with certain limited rights and access to use such pages and platforms for marketing purposes only. Your use will be subject to compliance with all such rules and requirements within our Operations Manual. You agree to comply with our social media marketing requirements, including, without limitation, our current requirement that all Business Facebook pages be created by us and that we maintain ownership of such accounts, and that all Facebook ad accounts be created through us and be owned by us. You agree to pay Facebook directly for any ad purchases through your Business Facebook account, and to grant us any permissions required in order for us to aggregate any tracked data from your Business Facebook account with data from all other franchisees. Except as we may authorize in writing, you may not: (1) link or frame our website; (2) create or register a website using the Marks; (3) create or register any Internet domain name in connection with the Business; or (4) register, as internet domain names or other social media names, any of the Marks now or

hereafter owned by us or any abbreviation, acronym, or variation of the Marks, or any other name that could be deemed confusingly similar. You may not develop, maintain, or authorize any other website, other online presence, or other electronic medium that mentions or describes the Business or displays any of the Marks. You may not conduct commerce or directly or indirectly offer or sell any Products using any website, another electronic means or medium, or otherwise over the internet unless we separately authorize you to do so, in writing. You agree that sales via the internet may, in our discretion, become a part of the System Standards, and you agree to participate in such programs and processes if, when, and how we mandate that they be conducted. You acknowledge that participation in such programs may result in additional costs incurred by you, and you agree to pay such costs as they are incurred. Nothing in this Section shall limit our right to maintain websites or mobile applications other than the System Website or to offer and sell merchandise bearing the Marks from the System Website, another website, or otherwise over the internet without payment or obligation of any kind to you.

C. **Advertising and Marketing Strategies.** You must implement and execute all marketing and advertising strategies that form part of the System Standards as described in the Operations Manual and in training materials from time to time. You must ensure that all local marketing efforts by you are completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify and conform to all federal and state regulations. In the event we elect to implement a program or method for capturing customer information (including but not limited to customer names, mailing addresses, email addresses, phone numbers, and product purchase information), you shall participate in this program and shall share this data with us. If we implement this program through software or other application, you shall download this software or application. In addition, we may require that you pay an initial fee and periodic fees for access to this software or application, and you agree to pay this fee upon notice by us that we are implementing this program. If we elect to implement this program, we will provide you with the terms and conditions of the program at that time, and you shall participate in this program.

D. **National Marketing Fund.** We reserve the right to establish a national marketing fund for the advertising, marketing and public relations programs and materials for the System and the BoxDrop Businesses (the “**National Marketing Fund**”) into which, upon notice from us, you will contribute the National Marketing Fee. Contributions to the Fund shall be in addition to and not in lieu of the Local Advertising Expenditure (described below) and the Regional Advertising Fee. If a National Marketing Fund is established, you shall be required to contribute to the fund. We or our designee (which may be one or more of our affiliates) will administer and control the National Marketing Fund. The National Marketing Fund may be used for production and placement of media advertising, direct response literature, direct mailings, brochures, collateral advertising material, surveys of advertising effectiveness, other advertising or public relations expenditures relating to advertising BoxDrop Businesses, services and products, providing professional services, materials, and personnel to support the marketing function, and creating, producing, and implementing our websites. We may reimburse ourselves or our designated representatives (which may be one or more of our affiliates) from the National Marketing Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and other reasonable direct and indirect expenses incurred by us or our representatives in connection with the programs funded by and

the administration and operation of the National Marketing Fund.

The National Marketing Fund will not be our asset, and neither we nor our representatives will be liable for any act or omission in connection with the administration or control of the National Marketing Fund that is consistent with this Agreement and done in good faith. We and our representatives may spend in any fiscal year more or less than the aggregate of all contributions to the National Marketing Fund in that year, and the National Marketing Fund may borrow from us or others (including our affiliates) to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the National Marketing Fund will be used to pay advertising costs before other assets of the National Marketing Fund are expended. We may cause the National Marketing Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity, if established, will have all rights and duties specified in this Section. We and our representatives undertake no obligation to ensure that the National Marketing Fund benefits you or any other BoxDrop Business in proportion to your or its respective contributions. The National Marketing Fund's primary purpose is to support sales by the entire BoxDrop Business system of businesses and to build brand identity. You agree to participate in any promotional campaigns and advertising and other programs that the National Marketing Fund periodically establishes.

We and our representatives have the right, but not the obligation, to use collection agents and institute legal proceedings to collect Fund contributions at the National Marketing Fund's expense. We and our representatives also may forgive, waive, settle, and compromise all claims by or against the National Marketing Fund. We and our representatives may at any time waive, defer, or reduce contributions of any owner of a BoxDrop Business and, upon written notice to you, reduce or suspend National Marketing Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the National Marketing Fund. If the National Marketing Fund is terminated, all unspent monies will be distributed to the contributors in proportion to their respective National Marketing Fund contributions during the preceding 12- month period.

E. **Regional Advertising Programs.** Although not obligated to do so, we or our designees (which may be one or more of our affiliates) may create a regional advertising program ("**Regional Advertising**") for the benefit of the BoxDrop Businesses located within a particular geographic region into which, upon notice from us, you will contribute the Regional Advertising Fee. We and our designees have the right to determine the composition of all geographic territories and market areas for the implementation of Regional Advertising and promotion campaigns and to require that you participate in such Regional Advertising programs as and when established. The fees designated to the Regional Advertising programs may be used to pay regional, multi-regional or national marketing expenses, including, but not limited to, our administrative costs or those of our designees (including our affiliates) incurred in maintaining and administering the Regional Advertising programs. We and our designees also reserve all other rights with respect to the use of Regional Advertising Fees, and the conduct of Regional Advertising programs, as those retained in Section 9.D above with respect to the National Marketing Fund. We and our designees may at any time, upon written notice to you, suspend a Regional Advertising program for one or more periods of any length and terminate (and, if terminated, reinstate) the Regional Advertising program.

F. **Re-Direction of Marketing Program Contributions.** We have the right to (i) allocate any portion of the Fund to the Regional Advertising program; (ii) allocate any portion of the Regional Advertising to the Fund; and (iii) convert all or any portion of the Local Advertising Expenditure described below to a fee for the National Marketing Fund or a Regional Advertising program and require that you pay such designated portion to us for the National Marketing Fund or a Regional Advertising program, as applicable.

G. **Local Advertising Expenditures.** Throughout the term of your franchise, you are required to spend a minimum amount per month on local advertising, marketing or promotional programs for your Business (the “**Local Advertising Expenditure**”). The Local Advertising Expenditure for a Mattress Only Business is One Thousand Dollars (\$1,000) per month and the monthly expenditure for a Mattress and Sofa Business is Two Thousand Dollars. You must initiate local grass-roots advertising campaigns which may include, but is not limited to placing advertisements on Facebook, Marketplace, and Craigslist; running ads in other forms of local media; placing roadside signs (where permitted); placing advertisements in local newspapers and magazines, and following the advertising strategies in the Operations Manual. Unless we otherwise specify, all such Local Advertising Expenditures and costs shall be paid directly to third-party advertisers. You are required to keep accurate books and records on the amounts spent on direct local advertising and we may from time to time request that you prepare and submit a report to us which accounts for the Local Advertising Expenditure. You agree to provide that report within 7 days of our request. You will not be permitted to advertise in any print or internet medium that is circulated in, or directed toward, the designated territory of another BoxDrop Business without the prior written consent of that franchisee (a copy of which shall be provided to us) unless the medium naturally reaches that franchisee’s territory as well as your Territory. If you are sharing an advertising source with other franchisees, you and the other franchisees must advertise in such source on an equal basis. Any disputes around shared advertising sources shall be submitted to our Chief Marketing Officer for resolution, and his/her sole determination will prevail.

You agree that your advertising, promotion and marketing will be completely clear, factual and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. You shall not market or advertise on the internet or any social media interface or format, including but not limited to Facebook, Marketplace, or Craigslist, unless you follow our guidelines regarding the use of such social media site and applications. You acknowledge and agree that any goodwill of the brand and Marks generated from your social media presence and interface shall be the property of Franchisor. Additionally, you shall immediately terminate the use and delete any accounts using the Marks and associated with your Business upon the expiration or earlier termination of this Agreement.

## **10. EVALUATIONS, AUDITS AND REPORTS**

A. **Right to Inspect; Evaluations.** To determine whether Franchisee and the Business are complying with this Agreement and all System Standards, we and our designated representatives have the right before you open the Business for regular operations and

thereafter from time to time during your typical business hours, and without prior notice to you, to inspect and evaluate the Business, observe and record operations, interview personnel and members, and inspect your books and records relating to business conducted at the Business. This may be done overtly or as part of a “secret shopping” program. You will cooperate with us in these activities and these inspections. We will give you a written summary of our evaluation within 5 business days after the completion of our audit and inspection of the Business. You will promptly correct at your own expense all deficiencies (i.e., failures to comply with System Standards) noted by our evaluators within the time period we specify following your receipt of our notice of such deficiencies. We then may conduct one or more follow-up evaluations to confirm that you have corrected these deficiencies and otherwise are complying with this Agreement and all System Standards. We may charge you an evaluation fee to compensate us for our costs and expenses during any such follow-up evaluation or any evaluation that you request.

B. **Records, Reports, and Financial Statements.** You must access our internal system-wide network website for franchisees (the “**System Network**”) and enter all sales, Customer Information, financial information, and other information and statistics which we require from time to time, using forms which we post on the System Network and at frequencies we specify in the Operations Manual. You must also submit to us, upon request, your monthly and annual balance sheets and income statements, or other financial or operational information regarding your Business operations, in the form, format, and frequency we specify. We reserve the right, in our discretion, to require change to the data required to be submitted, the manner in which it is submitted, and the frequency with which it is submitted.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats (including, at our option, the accounting principles) that we prescribe from time to time. You agree to give us in the manner and format that we prescribe from time to time and at frequencies we designate, such other reports and information regarding the Business, including without limitation, revenue reports, financial statements, and bank statements, as we may request from time to time.

You agree to verify and sign each report and financial statement in the manner we prescribe. We will not publicly disclose data derived from these reports unless we make such public disclosure without disclosing your identity or your Business’ financial results on an individual (i.e., unconsolidated) basis or unless we are required to do so in the context of any litigation.

You agree to preserve and maintain all records, in the manner we periodically specify, in a secure location for at least 4 years after the end of the fiscal year to which such records relate. If we reasonably determine that any report or financial statement submitted to us is willfully and materially inaccurate, then following our delivery of written notice to you, we may require you to have audited financial statements prepared annually during the Term, at your cost, until we determine that your reports and statements accurately reflect the business and operations of the Business.

## 11. **COMPETITIVE BUSINESS DURING TERM**

You acknowledge that we have granted you the Franchise in consideration of and reliance upon the agreement of you and your owners to deal exclusively with us in the bedding, mattress and home furniture industry. You acknowledge that, in addition to the license of the Marks, we also have licensed commercially valuable information which comprises the System, including, without limitation, operations, marketing, advertising, recruiting techniques, sales methodologies, and related information and materials, and that the value of this information arises not only from the time, effort, and money which went into its compilation but also from its use by all BoxDrop Business franchisees. You therefore agree that, other than the Business, neither you nor your owner or any of your officers, directors, shareholders, members, partners or other owners, nor the spouse or other Immediate Families (as defined below) shall, during the Term of this Agreement:

- 1) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, as defined below, wherever located or operating;
- 2) perform services as a director, officer, manager, employee, consultant, representative, contractor, agent, or otherwise for a Competitive Business, wherever located or operating;
- 3) divert or attempt to divert any customers or business related to the Business, our business, or any other BoxDrop Business franchisee by direct inducement or otherwise, to any Competitive Business; or
- 4) directly or indirectly solicit or employ any person who is employed by us, any of our affiliates, or another BoxDrop Business franchisee without obtaining the employer's prior written consent.

The term "**Competitive Business**," as used in this Agreement, shall mean any business (a) which engages in or (b) which grants franchises or licenses to others to engage in the sale, at retail or wholesale, via a physical store location or via the internet or catalogue, of bedding, bedding supplies and/or home furnishings (other than another BoxDrop Business operated by you) or otherwise offers or provides services substantially similar to the services provided by the Business; provided, however, no party bound under this Section 11 shall be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding. The term "**Immediate Family**" includes the named individual, his or her spouse, all minor children, siblings, parents, and in-laws of the named individual or his or her spouse.

In addition to any other remedies or damages allowed under this Agreement, including seeking injunctive relief, if you breach the covenants set forth in this Section 11, you shall pay us the Non-Compete Fee.

## 12. **TRANSFER**

A. **Transfer or Delegation by Us.** We may assign this Agreement or delegate all or any part of our obligations to any person or entity who or which we reasonably believe is capable

of performing our obligations under this Agreement. We also may change our ownership or form without restriction without notice to you. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

B. **Transfer by You.** You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted you the Franchise in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Therefore, without our prior written consent, neither (a) this Agreement or any of the rights granted or obligations assumed thereunder, (b) any interest in this Agreement, (c) any part of the ownership in you if you are an Entity, (d) ownership of the Business, nor (e) the Business or all or a substantial portion of the assets used in the operation of the Business (other than in the ordinary course of business) may be "transferred." Any unauthorized transfer is a breach of this Agreement, is void, and is of no effect. As used in this Agreement, the term "transfer" includes your (or your owner's) voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in any of the foregoing. It also includes an assignment of day-to-day operational responsibilities for the Business pursuant to an operating or management agreement or otherwise. A "transfer" also includes the grant of a mortgage, charge, pledge, collateral assignment, lien or security interest in any interest in this Agreement, the Business, or an ownership interest in you; foreclosure upon or attachment or seizure of the Business or any of its Operating Assets, and if you or one of your owners dies, transfer of an interest in you, this Agreement or the Business (or any right to receive all or a portion of your or the Business' profits or losses) by will, declaration of or transfer in trust, or under the laws of intestate succession. A transfer of the Business' ownership, possession, or control, or all or a substantial portion of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In addition, you may not assign or pledge this Agreement or, without our consent, an ownership interest in you or in the Business as security or collateral for any loans or other financing.

C. **Pre-Conditions for Approval of a Transfer.** We will not be obligated to approve a proposed transfer unless you are in full compliance with this Agreement and all other franchise agreements you might have executed with us and you have complied with all the requirements in this Section. If the proposed transfer is of this Agreement or a direct or indirect controlling interest in you, or is one of a series of transfers (regardless of the period of time over which these transfers take place) which in the aggregate transfer this Agreement or a direct or indirect controlling interest in you, then all of the following conditions must be met before or concurrently with the effective date of the transfer:

1) we determine, in our sole and absolute discretion, that the proposed transferee and its owners must be of good moral character and otherwise meet our then applicable standards for franchisees;

2) all amounts due and owing under this Agreement or otherwise (including under another franchise agreement) by you to us, our affiliates, or third parties whose debts or obligations we have guaranteed on your behalf, if any, are paid in full and you have submitted all required reports and statements;

3) the proposed transferee executes our then-current form of franchise agreement and all ancillary agreements, which will govern the transferee's operation of the Business following the transfer (the provisions of which may differ materially from any and all of those contained in this Agreement except that the term will be amended to coincide with the Term of this Agreement), and pays for and satisfactorily completes the initial training program then being required of new franchisees;

4) you provide us with written notice at least 30 days prior to the proposed effective date of the transfer and include information reasonably detailed to enable us to evaluate the terms and conditions of the proposed transfer, which at a minimum includes a written offer from the proposed transferee;

5) the proposed transferee provides us with information sufficient for us to assess the proposed transferee's business experience, aptitude, and financial qualification, and we approve, in our sole and absolute discretion, the proposed transferee as a franchisee;

6) neither the transferee nor its owners or affiliates have an ownership interest in, or perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for, a Competitive Business;

7) the proposed transferee agrees to renovate, refurbish, remodel, or replace, at its own cost, the real and personal property and items used in operating the Business within the timeframe we specify in order to comply with our then current image, standards of operation, and performance capability;

8) your landlord allows you to transfer the Business' Lease to the transferee;

9) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Business;

10) you have transferred all Customer Information and access to all System Websites and Social Media accounts for your BoxDrop Business directly to us, or the transferee, as we determine in our sole discretion;

11) if you or your owner finances any part of the purchase price, you and/or your owner agrees that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Business are subordinate to our security interests and the transferee's obligation to pay fees and other amounts due to us and our affiliates and otherwise to comply with this Agreement;

12) you or the proposed transferee pay us the Transfer Fee prior to the transfer occurring;

13) you, your owner and guarantors execute a general release, in a form satisfactory to us, of any and all claims against us, our affiliates, and their respective shareholders, officers, directors, employees, and agents; and

14) you, your owner and guarantors abide by all post-termination covenants, including, without limitation, the covenant not to compete set forth in Section 14.E as though the Agreement had expired or terminated as of the effective date of the transfer.

Neither the transferee nor its owner may, without our prior written consent, take over possession of the Business until the transfer process has been completed and our written consent has been granted. You acknowledge and agree that we may, but shall not be required to, release you or any guarantors of your obligations upon transfer.

Our consent to any transfer is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Business' or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement's terms or conditions.

**D. Right of First Refusal.** If you or any of your owners at any time determines to sell or transfer for consideration an interest in this Agreement and/or the Business or a direct or indirect controlling interest in you, You grant us a 30-day right of first refusal to purchase such rights, interest, or assets on the same terms and conditions as are contained in the written notice set forth in Section 12.C(4) and: (a) the right of first refusal will be effective for each proposed transfer, and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer for which we shall have a new 30-day right of first refusal; (b) the 30-day right of first refusal period will run concurrently with the period in which we have to approve or disapprove the proposed transferee; (c) if the consideration or manner of payment offered by a proposed transferee is such that we cannot reasonably be expected to furnish the same, then we may purchase the interest proposed to be sold for the reasonable cash equivalent. If you and we cannot agree within a reasonable time on the cash consideration, we will designate an independent appraiser, whose determination will be binding upon us both; all expenses of the appraiser shall be paid for equally by us and you; and, despite clause (a), we will have 15 days after determination of the cash consideration to exercise our right of first refusal. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section. If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, subject to our approval of the transfer as provided in Subsections B and C above. If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you must tell us promptly), we will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

**E. Death or Disability.** Upon your death or permanent disability (or that of your owner), the personal representative of such person shall transfer that person's interest in this Agreement or such interest in your Entity to a third party approved by us pursuant to the terms of this Agreement. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not

to exceed 120 days from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all terms and conditions applicable to transfers contained in this Section 12. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. The term “permanent disability” shall mean a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you (or your owner) from supervising the management and operation of the Business for a period of 120 days from the onset of such disability, impairment, or condition.

### **13. SUCCESSOR FRANCHISES**

A. **Your Right to Acquire Successor Franchises.** Upon the expiration of the Term, subject to the terms and conditions set forth in this Section 13, you shall have the right to acquire a successor Franchise (“**Successor Franchise**”) to operate the Business at the Site or a substitute site we approve within the Territory if:

- 1) you are then operating the Business in full compliance with this Agreement and all other agreements between you and us or our affiliates and have been in substantial compliance with this Agreement and all other agreements between you and us or our affiliates throughout the Term;
- 2) you pay us the Successor Franchise Fee;
- 3) you have met the required Minimum Purchasing Amount for Products from us for each Business;
- 4) you have completed and sent us the forms and other information we then require and demonstrate to our satisfaction that you meet our then current financial and operational criteria for new BoxDrop Business franchisees;
- 5) you execute the form of franchise agreement and related agreements that are being offered to new franchisees, the terms of which may be different than those contained in this Agreement;
- 6) you and your owner execute and deliver to us, to the extent permitted by applicable law, general releases and non-disparagement agreements, in a form prescribed by us, of any and all claims against us and our affiliates and their respective owners, officers, directors, employees, agents, successors and assigns; and
- 7) you (i) maintain possession of and agree to remodel the Business, add or replace improvements, equipment, fixtures, furnishings, and signs, and otherwise modify the Business as we require to bring it into compliance with specifications and standards then applicable for new BoxDrop Businesses; or (ii) if you are unable to maintain possession of the Site, or if, in our reasonable judgment based on changed market and economic conditions then in effect in your local market, the Business should be relocated, you: (x) secure a substitute Site we approve; (y) develop the substitute Site in compliance with specifications and standards then applicable for new

BoxDrop Businesses; and (z) continue to operate the Business at the original Site as is reasonable until operations are transferred to the substitute Site.

Subject to your compliance with the terms and conditions of this Section 13, there is no limit on the number of Successor Franchises that you may acquire, and each franchise agreement you and we execute to evidence a successor franchise will provide for substantially the same rights with respect to acquiring Successor Franchises. Notwithstanding our right in subparagraph (7) above to require you to relocate the Business, we will not require you to relocate the Business in connection with your acquisition of a Successor Franchise until the then current term of the lease or sublease for your Business expires (in the case where this Agreement expires before your then current lease term expires). However, you must comply with your obligations in subparagraph (7) above and, if appropriate, commence preparation to relocate the Business to a new location before the then current term of your lease or sublease expires in order to minimize as reasonably as practicable the time period during which you do not have a Business open for business under this Agreement.

B. **Grant of Successor Franchise.** You must give us written notice of your election to acquire a Successor Franchise at least 6 months, but no more than 12 months, prior to the expiration of the Term. We may require you to provide certain financial information relating to you or your owner and the Business' operation, and pay us the Successor Franchise Fee, along with your notice. If you fail to give us your notice by the required deadline (together with the payment of the Successor Franchise Fee), we will interpret that to be your election not to acquire a Successor Franchise, and we will take action in reliance on that election. Within 90 days after our receipt of your notice (together with the Successor Franchise Fee), we will give you written notice: (a) of our determination whether or not we will grant you a Successor Franchise (and, if applicable, stating the reasons for a refusal to grant you a Successor Franchise); and (b) advising you of any deficiencies which must be corrected by you before we will grant you a Successor Franchise, stating what actions you must take to correct the deficiencies and specifying the time period in which such deficiencies must be corrected. Our failure to provide you with this notice within the 90-day period specified above shall be deemed to be our decision to grant you a Successor Franchise without requiring you to correct any deficiencies in order to obtain the Successor Franchise. Such decision does not, however, foreclose our right to issue a notice of default or a notice of termination in accordance with the terms of this Agreement.

#### 14. **TERMINATION OF AGREEMENT**

A. **Termination By You.** Except as otherwise provided by law, Franchisee may not terminate this Agreement.

B. **Termination by Us.** Upon the occurrence of any one of the following events, we may, at our option, terminate this Agreement, effective immediately upon delivery of written notice to you at the notice address listed on the signature page of this Agreement:

1) If you begin operating the Business without having obtained our prior written consent, as required by this Agreement or fail to open the Business within the

time periods set forth in Section 3.D. of this Agreement or cease to operate the Business or otherwise abandon the Business for a period of 28 consecutive days, or any shorter period that indicates an intent by you to discontinue operation of the Business, unless and only to the extent that full operation of the Business is suspended or terminated due to fire, flood, earthquake, or other similar causes beyond your control and not related to the availability of funds;

2) If you (i) contact, (ii) interfere or attempt to interfere with the relationships we or our affiliates have with vendors, or (iii) purchase or attempt to purchase Products from any vendor other than us or our designated affiliates;

3) If you fail to maintain the Minimum Purchasing Amount after the completion of the Performance Improvement Program;

4) If you fail to (i) purchase any Products from us for six (6) consecutive weeks or (ii) order from us a minimum aggregate amount of at least \$3,000 worth of Products during any calendar month;

5) If you, any person under your control or any person who has executed or should have executed a confidentiality agreement under Section 6.H. of this Agreement intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents or any part of the Operations Manual or any other trade secrets or Confidential Information;

6) If you commit fraud in connection with the purchase of the Franchise or operation of the Business or otherwise engage in conduct or are the subject of publicity that, in our sole judgment, impairs or may impair the goodwill associated with us or the Marks or otherwise subjects the Marks or the BoxDrop Business system to ridicule, scandal, reproach, scorn or indignity (our receipt, during any 12 consecutive months, of at least three customer complaint regarding separate incidents involving your operation of the Business will be deemed to be conduct which impairs the goodwill associated with the Marks or System);

7) If you become insolvent or are adjudicated bankrupt; or any action is taken by you, or by others against you, under any insolvency, bankruptcy, or reorganization act (this provision might not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.); or if you make an assignment for the benefit of creditors; or a receiver is appointed for you;

8) If any material judgment (or several judgments which in the aggregate are material) is obtained against you and remains unsatisfied of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against your Business or any of the property used in operating the Business and is not discharged within 5 days; or if your real or personal property shall be sold after levy by any sheriff, marshal, or constable;

9) If (i) you (or your owner) are convicted of a felony, a crime involving moral turpitude, or any crime or offense reasonably likely, in our sole opinion, to materially and unfavorably affect us, the System, the Marks, and the associated goodwill and reputation or (ii) you misuse or fail to follow our directions and guidelines concerning use of the Marks and fail to correct the misuse or failure within 10 days after

delivery of notice from us;

10) If (i) you fail to pay any amounts due to us or our affiliates within 10 days after delivery of notice that such amounts are past due or (ii) you commit a default under any loan from or with us, our affiliates, or a third party and fail to cure that default by the date specified by the lender;

11) If you fail to access the System Website and provide the required sales, activity and financial information and fail to correct such failure within 5 days after delivery of notice, or if you fail to accurately report sales or other required data;

12) If you are discovered to be cheating at the initial training program or fail to complete the initial training program to our satisfaction or to commence operations of the Business within the required time period;

13) If you have received 3 notices of default from us within a 12-month period, regardless of whether the defaults were cured;

14) If you lose the right to occupy the Business premises because of a default under the lease or sublease, or default under any agreement related to use or operation of the Business;

15) If you engage in a transfer, as defined in Section 12, without complying with the provisions of Section 12;

16) If we issue a notice of termination with respect to any other franchise agreement between us and you, your owner or any other legal entity owned by you or your owner governing the operation of another BoxDrop Business; or

17) If you create or allow to exist any condition in or at the Business, or on or about the Business premises, which we reasonably believe presents health or safety concerns for the customers or employees of the Business

C. **Termination by Us - Thirty Days' Notice.** We will have the right to terminate this Agreement (subject to any state laws to the contrary, in which case state law shall prevail), effective upon delivery of 30 days' prior written notice to you, if you breach any other provision of this Agreement not specified in Section 14.B. above, including, but not limited to, if you fail to comply with the Operations Manual, and fail to cure the default during such 30-day period. In that event, this Agreement will terminate without further notice to you, effective upon expiration of the 30- day period. Additionally, if you fail to comply with our policies regarding ordering and delivery of Products, and you fail to cure such default within 30 days receipt of notice of such default, we may, terminate this Agreement. However, we may, at our discretion and instead of terminating this Agreement such breach, take other measures, such as removing the right for you to order Products from a specific vendor or vendors.

D. **Effect of Termination or Expiration.** On expiration without the grant of a Successor Franchise or termination of this Agreement, you shall:

- 1) immediately pay us all amounts owed under this Agreement;
- 2) within 7 days, return to us all hard copy Operations Manual and other

Confidential Information in your possession or control and delete all soft copies of such information;

3) discontinue all use of the Marks and related trade names, the use of any and all advertisements, signs, papers goods, and websites bearing said Marks and trade names, or any reference whatever thereto, and immediately on our request assign to us the Business telephone number(s), email addresses, and websites;

4) modify the exterior and interior of the building and any vehicles used in the operation of the Business to our sole satisfaction, so that in our opinion it is clear to the public that the location, premises, and any vehicles used in the operation of the Business are not part of the System;

5) not operate, or do business under any name or in any manner that might tend to give the general public the impression that this Agreement is still in force or that you are connected in any way with us or have any right to use the System or the Marks;

6) not make use of or avail yourself of any of the trade secrets, methods of operation, Customer Information or other Confidential Information or disclose or reveal any such information or any portion thereof to anyone not employed by us or our franchisees;

7) not assist anyone who is not licensed to use the System in the construction, equipping or operation of any business incorporating any part of the System and which are identifying characteristics of businesses using the System or of any Competitive Business;

8) execute any and all documents required by us which are necessary to effectuate termination of your license and interest in the use of any and all Marks;

9) not use and, if the Business premises are within your or your owner's control, not assist or allow anyone else to use the Business premises for any Competitive Business for a period of 2 years after the expiration of our right to buy the Business as described below; and

10) comply with the restrictions on competitive activities set forth in section 14.E below.

All of our and your (and your owner's and affiliates') obligations which expressly or by their nature survive the termination or expiration of this Agreement will continue in full force and effect subsequent to and notwithstanding its termination or expiration until such obligations are satisfied in full or by their nature expire.

E. **Competitive Business After Term or Expiration.** For a period of two (2) years after expiration or termination of this Agreement, neither you nor any of your officers, directors, shareholders, members, partners or other owners, nor the spouse or other Immediate Family of any of these individuals shall:

1) have any direct or indirect interest as a disclosed or beneficial owner in or perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business at the premises from which the Business was operated and within a radius of 200 miles from:

(i) the Site;

(ii) any other BoxDrop Business in existence as of the date of termination or expiration of this Agreement;

(iii) any territory, market or trade area serviced by us or a franchisee as of the date of expiration or termination;

(iv) any territory, market or trade area which we have planned or taken steps to service either directly or through a franchisee; and/or

(v) any location, trade area, market or territory from or in which a BoxDrop Business operated within two (2) years prior to expiration or termination of this Agreement;

2) divert or attempt to divert any vendors, customers or business related to the Business, our business, or any other BoxDrop Business franchisee by direct inducement or otherwise, to any Competitive Business; or

3) directly or indirectly solicit or employ any person who is employed by us, any of our affiliates, or another BoxDrop Business franchisee without obtaining the employer's prior written consent, or interfere with or attempt to interfere with the relationships between us or our affiliates and any vendors, suppliers or consultants to the System.

Notwithstanding the foregoing, no party bound under this section 14.E shall be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

F. **Right to Purchase Inventory.** Upon the expiration of this Agreement without the grant of a Successor Franchise or upon termination for any reason, we may, at our option, purchase from you any or all Products which are in your possession or control. If we wish to consider exercising this option, we will provide you with notice within 30 days following expiration or termination. You will, in turn and within 15 days following our notice, provide us with a list of all Products which are then in your possession or control, identifying the condition of such products (i.e., which products are floor models and which are still in the unopened packaging). Within 15 days of our receipt from you of the list, we will notify you of our election to exercise the option and as to which Products. The price, should we exercise this option, shall be equal to the original purchase price you paid for the Product, less (i) charges you paid for shipping the Products to your Site, (ii) charges we incur or will incur in shipping the Products to us or to a new point of sale, (iii) any costs we incur in making the Products suitable for re-sale,

including, without limitation, re- packaging, repair of damage and administrative costs, and (iv) any sums which are then owed by you to us or our affiliates under this Agreement or otherwise. We will pay the price, and you will sign and deliver a Bill of Sale not later than 15 days after we exercise the option. Within 14 days following our decline or failure to exercise the option within the time periods set forth in this paragraph, you will dispose of any Products for which we did not exercise the option. No such Products may be sold to the general public with the Royal Heritage Home Furnishings label (or otherwise bearing any of the Marks) attached. Upon expiration or termination of this Agreement, you will not dispose of any Products until such time as we with decline or fail to timely exercise our right to purchase under this Section 14.F.

G. **Actions in Lieu of Termination.** Without waiving any rights we might otherwise have to terminate this Agreement under section 14.B or section 14.C, we may, at our option, exercise any lesser rights or remedies which, by their nature, would be subsumed in or would be a subset of the greater rights, including but not limited to, for example, the right to reduce the size of the Territory, eliminate the restrictions we have placed on ourselves and our affiliates under Section 2 rather than terminating this Agreement, and/or reduce the number of available vendors for you to purchase from. The exercise of our option with respect to any lesser remedy shall not be deemed to be an election or waiver with respect to the greater remedy or any other rights we might have as a result of an event of default. We may at any time exercise all of the rights granted to us under this Agreement, including, without limitation, the issuance of a notice of termination where permitted to do so under section 14.B or section 14.C irrespective of our exercise of a lesser remedy with respect to the same default.

## 15. **RELATIONSHIP OF THE PARTIES: INDEMNIFICATION**

A. **Independent Contractors.** This Agreement does not create a fiduciary relationship between you and us. We and you are and will be independent contractors, and nothing in this Agreement is intended to create an agency, joint venture, partnership, or employment relationship unless provided by expressed provision of this Agreement. Neither party has any right to create any obligation on behalf of the other except as expressly provided in this Agreement. Because you are an independent contractor, your labor relations with your employees are strictly your own concern. You must comply with all applicable laws and regulations, whether related to employment, to operating the Business, or otherwise. We do not have the right or power to supervise or discipline any of your employees; to determine the hiring, firing, compensation, or terms or conditions of employment of any of your employees; or otherwise to control the labor relations between you and your employees. We and you agree not to make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Business' operation or the business you conduct under this Agreement.

B. **Taxes.** You and/or your owners are solely responsible for all taxes, however denominated or levied upon you or the Business, in connection with the business you conduct under this Agreement (except any taxes we are required by law to collect, and do collect, from you with respect to purchases from us). We will have no liability for any sales, use, service,

occupation, excise, gross receipts, income, property or other taxes, whether levied upon you or the Business, due to the business you conduct (except any taxes we are required by law to collect, and do collect, from you for purchases from us and our income taxes), and you agree that any information we or our affiliates provide to you cannot be construed as tax advice.

C. **Indemnification.** You will indemnify, defend, and hold us, our affiliates, and our and their respective owners, directors, managers, officers, employees, agents, successors, and assignees (collectively, “**Indemnified Parties**”) harmless against, and reimburse any one or more of the Indemnified Parties for, all obligations and damages (actual, consequential, exemplary, or other) suffered as a result, and costs reasonably incurred in the defense, of any claim asserted against any of the Indemnified Parties, including, without limitation, accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration, or alternative dispute resolution, and travel and living expenses, directly or indirectly arising out of: (i) the operation of the Business; (ii) the unauthorized use of the Marks; (iii) a transfer in violation of this Agreement; (iv) the business you conduct under this Agreement; (v) noncompliance or alleged noncompliance with any law, ordinance, rule or regulation concerning the Business’ construction, design or operation, including the Americans with Disabilities Act and other laws regarding public accommodations for persons with disabilities; or (vi) a breach of this Agreement, including, but not limited to, unauthorized use of the Confidential Information; or any other agreement between the parties and or their affiliates that relates to the operation of the Business, including, without limitation, those claims and liabilities which are alleged to have been caused by an Indemnified Party’s negligence.

Each Indemnified Party has the right to defend any claim at your expense. This indemnity will continue in full force and effect notwithstanding the termination or expiration of this Agreement. Neither we nor any other Indemnified Party is required to seek recovery from any insurer or other third party in order to maintain and recover fully a Claim against you. You agree that our failure to pursue such recovery will in no way reduce or alter the amounts we or another Indemnified Party may recover from you. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

D. **Insurance.** You must obtain and thereafter maintain in full force and effect, throughout the Term, policies of insurance which satisfy the requirements set forth in the Operations Manual from time to time with respect to quality of insurer and types and limits of coverage.

Currently, we require that at a minimum, you must maintain the following types and minimum amounts of insurance coverage: commercial general liability — bodily injury and property damage (\$1 million per occurrence), including products/completed operations (\$2 million general aggregate); automobile liability — any owned vehicles and vehicles used to provide delivery of Products to customers (\$1 million per accident, which is a separate limit from the general liability limit that includes delivery operations); and workers’ compensation — in compliance with state and local laws. The minimum coverages we specify are for our benefit and are not intended to be relied upon by you as a recommendation as to the types of coverage and coverage limits which are or might be appropriate for your particular business or circumstances.

Additional coverage and limits might be appropriate based, for example, on the specific location of your Business and the amount of inventory you carry, and we encourage you to consult with your insurance agent regarding such additional coverage.

Said coverage shall provide that it cannot be canceled, terminated, reduced, or amended without the insurer's first giving us at least 30 days advance written notice. You must cause us and all of our affiliates of whom we notify you to be named as additional insureds on any such policies and deliver evidence of required insurance coverage to us. Upon issuance of any required insurance policy, and at least 30 days prior to any renewal or replacement of a required insurance policy, you must deliver to us a certificate of insurance evidencing that you have obtained such policy. You must notify us of any lawsuits filed against you within 5 business days after you have notice of such lawsuits, whether or not you have tendered them to your insurance company for defense and/or coverage. We may, upon 60 days prior written notice to you, require reasonable changes in the insurance coverage you are required to maintain to reflect inflation, identification of special risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

## 16. **STANDARD CLAUSES**

A. **Severability and Integration.** This Agreement contains the entire agreement between us and you and supersedes any and all prior agreements concerning its subject matter. You agree and understand that we shall not be liable or obligated for any oral representations or commitments made prior to the execution of this Agreement or for claims of negligent or fraudulent misrepresentation. We do not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in any required Franchise Disclosure Document with which you have been provided prior to executing this Agreement. You further acknowledge and agree that no representations have been made to you by us or our affiliates regarding projected sales volumes, market potential, revenues, profits of the Business, or operational assistance other than as stated in this Agreement or in any disclosure document provided by us or our representatives. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. The descriptive headings in this Agreement are for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Except as expressly provided to the contrary in this Agreement, each provision of this Agreement is severable, and if, for any reason, any provision or part of a provision is held to be invalid 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 that remain otherwise intelligible, which will continue to be given full force and effect and bind the parties. If any covenant 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 of it, 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 determines the covenant's validity. If any applicable and binding law or rule of any

jurisdiction requires a greater prior notice than is required under this Agreement 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 under this Agreement, 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 of this Agreement, and we will have the right to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions or any System Standard any portion or portions which a court or arbitrator holds to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

B. **Amendment.** Subject to our right to periodically modify System Standards and the Operations Manual, the provisions of this Agreement may be modified only by written agreement between the parties.

C. **Waiver of Obligations.** We and you may unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of notice to the other or such other effective date stated in the notice of waiver. Any waiver we or you grant will be without prejudice to any other rights we or you may have, will be subject to our or your continuing review, and may be revoked by the party granting the waiver at any time and for any reason; provided, however, that any waived breach may not later be used as a ground for terminating this Agreement. Any waiver must be in writing, signed by our duly authorized representative, to be enforceable. Our failure to complain or declare that you are in breach of the terms of this Agreement or our failure to give or withhold our approval as provided in this Agreement shall not, except as otherwise provided in this Agreement, constitute a waiver of such breach or of such right to withhold our approval. We will not be deemed to waive or impair any of our rights under this Agreement because of our waiver of or failure to exercise any right, whether of the same, similar, or different nature, with other BoxDrop Businesses or because of the existence of franchise or license agreements for other BoxDrop Businesses which contain provisions different from those contained in this Agreement.

D. **Costs and Attorneys' Fees.** If we incur any costs or expenses, including, without limitation, attorneys' fees and any collection costs, as a result of your non-compliance with this Agreement, you must promptly reimburse us for all such costs and expenses, even if we do not initiate a formal legal proceeding, and also must reimburse us for costs and expenses incurred in connection with any judicial or arbitration proceeding or action (whether incurred before or after the proceeding or action was commenced) if we prevail in such proceeding or action, or any portion thereof, as determined by the judge or arbitrator, as applicable. This includes any time spent by our in-house counsel, calculated at prevailing rates for attorneys in the Columbus, Ohio

area.

E. **No Off-Sets; Cumulative Rights.** You may not take any off-sets from any amounts due us or our affiliates under this Agreement or any other agreements. Our and your rights under this Agreement are cumulative, and no exercise or enforcement of any right or remedy shall preclude our or your exercise or enforcement of any other right or remedy under this Agreement which we or you are entitled by law to exercise or enforce.

F. **Interpretation.** The recitals and exhibits to this Agreement are a part of this Agreement, which, together with the Operations Manual and our System Standards and any riders or addenda signed simultaneously with this Agreement, constitutes our and your entire agreement, and there are no oral or other written understandings, representations, or agreements between us and you, relating to the subject matter of this Agreement. Any policies that we adopt and implement from time to time to guide our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Nothing in this Agreement is intended, or will be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Except where this Agreement expressly obligates us reasonably to approve 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 proposed or effected actions that require our approval. The headings of the Sections are for convenience only and do not define, limit, or construe the contents of such Sections. This Agreement may be executed in multiple copies, each of which will be deemed an original. If two or more persons are at any time “you” under this Agreement, their obligations and liabilities to us will be joint and several.

G. **Binding Effect.** The delivery of this Agreement to you is not an offer. Therefore, this Agreement will not be binding upon us until it is first signed by you, tendered to us for our acceptance, and accepted by us through the signature of our duly authorized representative. Once accepted by us, this Agreement is binding upon and will inure to the benefit of us and you and our and your respective successors and permitted assigns.

H. **Exercise of Our Business Judgment.** We have the right, in our sole judgment, to operate, develop and change the Systems and System Standards in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information readily available to us and our judgment of what is in our and/or our franchise network’s best interests at the time our decision is made, regardless of whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision or the action we take promotes our financial or other individual interest.

## 17. **OUR SECURITY INTEREST**

A. **Collateral.** You grant us a security interest (“**Security Interest**”) in all of the Products, furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and

products thereof, wherever located, used in connection with the operation of the Business. All items in which a security interest is granted are referred to as the “**Collateral.**”

B. **Indebtedness Secured.** The Security Interest is to secure payment of the following (the “**Indebtedness**”):

- 1) All amounts due by you under this Agreement or otherwise;
- 2) All sums which we (or our affiliates) may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;
- 3) All expenses, including reasonable attorneys' fees, which we (or our affiliates) incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting its rights under the Security Interest and this Agreement; and
- 4) All other of your present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness to us or third-parties under this Agreement, however created, and specifically including all or part of any Successor Franchise or extension of this Agreement, whether or not you execute any extension agreement or Successor Franchise Agreement.

C. **Additional Documents.** You agree from time to time, as we may require, join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

D. **Possession of Collateral.** Upon default and termination of your rights under this Agreement, we will have the immediate right to possession and use of the Collateral.

E. **Our Remedies in Event of Default.** You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Ohio, including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth below.

F. **Special Filing as Financing Statement.** This Agreement is deemed a Security Agreement and a Financing Statement and may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a financing Statement in the counties or in the office of the Secretary of State, as appropriate, in

respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code in effect in the appropriate jurisdiction.

## **18. DISPUTE RESOLUTION**

A. **Governing Law** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement shall be construed and interpreted under the laws of the State of Ohio, and any dispute between the parties, whether arising under this Agreement or from any other aspect of the parties' relationship, shall be governed by and determined in accordance with the substantive laws of the State of Ohio, which laws shall prevail in the event of any conflict of law. If we move our corporate headquarters, we shall have the option of determining that the substantive law of the state to which we move will replace all references to Ohio law in this Agreement, or of continuing to have Ohio law apply. If we choose to have the law of the new state apply, we will so notify all franchisees within six (6) months of our move, and the chosen law will apply to all franchisees.

B. **Submission to Jurisdiction.** You acknowledge that you have and will continue to develop a substantial and continuing relationship with us at our offices in the State of Ohio, where our decision-making authority is vested and franchise operations are conducted and supervised. Except for our right to obtain injunctive relief in any appropriate forum, any action arising out of or relating to this Agreement shall be commenced, conducted and concluded only in a state or federal court of general jurisdiction in the State of Ohio for the district or county in which our headquarters are then located, which is currently Franklin County, Ohio. You irrevocably submit to the jurisdiction of these courts, waive any objection you may have to either the jurisdiction or venue of these courts and agree not to argue that these courts are inconvenient forums. If we move our corporate headquarters, you acknowledge that you will have a substantial and continuing relationship with us in the state to which we move and that any references to Ohio in this paragraph will be deemed to be references to the new state and the district or county in which our headquarters are then located. Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

C. **Enforcement of Agreement.** In any action to enforce or defend our rights under this Agreement, we shall be entitled to recover, in addition to any other recovery, attorneys' fees, court costs and expenses of litigation. Litigation arising under or in connection with in this Agreement or the System must be conducted on an individual, not a class-wide, basis; only we (and/or our affiliates, and our and their respective owners, officers, directors, agents, and employees) and you (and/or your owner, guarantors, affiliates, officers, directors, agents, and employees, if applicable) may be the parties to any legal proceeding described in this Section; and no such legal proceeding may be consolidated with any other legal proceeding between us and any other person, corporation, limited liability company, or partnership.

D. **Waiver of Punitive Damages.** EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO SECTION 15.C. FOR CLAIMS OF OTHERS SEEKING TO RECOVER PUNITIVE OR

EXEMPLARY DAMAGES, AND EXCEPT FOR CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR MISAPPROPRIATION 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 YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES HE, SHE, OR IT SUSTAINS.

E. **Limitations.** EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OF AMOUNTS DUE UNDER THIS AGREEMENT, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A LEGAL PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING SUCH CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIMS. YOU MAY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY ONLY AGAINST OUR BUSINESS ENTITY. OUR AFFILIATES AND OUR/THEIR RESPECTIVE OFFICERS, DIRECTORS, MANAGERS, MEMBERS, LIMITED PARTNERS, GENERAL PARTNERS, SHAREHOLDERS, INDEPENDENT CONTRACTORS AND EMPLOYEES WILL NOT BE LIABLE AND MAY NOT BE NAMED AS A PARTY AND WILL NOT BE LIABLE IN ANY PROCEEDING COMMENCED BY YOU IF YOUR CLAIM OR CAUSE OF ACTION ARISES OUT OF OR RELATES TO THIS AGREEMENT.

## 19. **NOTICES**

All approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section 19. All such approvals, requests, notices, and reports, as well as all payments, will be deemed delivered at the time delivered by hand; or 1 business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and/or, with respect to any approvals and notices that we provide to you or your owner, at the Business address. As of the Effective Date of this Agreement, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

To us:	BoxDrop, LLC 6221 Riverside Drive, #2N Dublin, OH 43017 Attn: Chief Legal Officer
--------	--------------------------------------------------------------------------------------------

Notices to you:	As indicated on the Signature Page of this Agreement
-----------------	---------------------------------------------------------

**20. ACKNOWLEDGMENTS**

BEFORE SIGNING THIS AGREEMENT, YOU AND YOUR OWNER SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. YOU AND YOUR OWNER ACKNOWLEDGE THAT:

(A) THE SUCCESS OF THIS BUSINESS VENTURE INVOLVES SUBSTANTIAL RISKS AND DEPENDS, AT LEAST IN PART, UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON AND YOUR ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS; AND

(B) YOU HAVE NOT BEEN GIVEN ANY ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, BY US OR OUR REPRESENTATIVES AS TO THE POTENTIAL SUCCESS OF THE BUSINESS, THE VIABILITY OF THE BUSINESS SITE OR THE EARNINGS LIKELY TO BE ACHIEVED FROM THE OPERATION OF THE BUSINESS, NOR HAVE YOU RELIED UPON ANY SUCH ASSURANCE OR WARRANTY IN EXECUTING THIS AGREEMENT; AND

(C) NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT AND IN ANY FRANCHISE DISCLOSURE DOCUMENT SUPPLIED TO YOU AND YOUR OWNERS, IS BINDING ON US IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Franchise Agreement effective on the Effective Date.

**BOXDROP, LLC**

**FRANCHISE OWNER**

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

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

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

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

**EXHIBIT A  
TO THE  
BOXDROP FRANCHISE AGREEMENT**

**BASIC TERMS**

**Type, Site and Territory:**

**Type of BoxDrop Business:** \_\_\_\_\_.

**BoxDrop Business Site.** The Site, as referenced in section 1.A and at which you are authorized to operate the BoxDrop Business is located at: \_\_\_\_\_  
\_\_\_\_\_.

**Territory:** The Territory referenced in Section 1.A of the Agreement shall consist of the geographic area encompassed within the following political boundaries that exist as of the date of the Agreement or as shown on the map attached hereto: \_\_\_\_\_

\_\_\_\_\_ If the Territory is identified by city or other political subdivisions, political boundaries will be considered fixed as of the date of this Agreement, notwithstanding an actual political reorganization or change to the boundaries. In the event the Territory is depicted on a map attached hereto, and if there is any inconsistency between the language in this Exhibit A and the attached map, the attached map shall control. All street boundaries will be deemed to end at the street center line unless otherwise specified. You acknowledge that we may periodically modify the Territory pursuant to Section 2 of this Agreement.

**Franchisee Information:**

**Owners.** The following list includes the full name of each person who is one of Franchisee's owners (as defined in the Franchise Agreement) and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<b><u>Owner's Name</u></b>	<b><u>Percentage Ownership</u></b>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

**Officers/Directors.** The following list includes the full name of each person who is one of Franchisee's officers or directors, and includes each individual's title(s).

<b><u>Name of Each Director/Officer/Manager</u></b>	<b><u>Title(s)</u></b>
_____	Operating Owner _____

---

**Operating Owner.**

The Operating Owner is \_\_\_\_\_.

**Current Fees:**

The current National Marketing Fee is 0%\_\_\_\_\_.

The current Regional Advertising Fee is 0%\_\_\_\_\_.

[Signatures appear on the following page]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Exhibit A to the Franchise Agreement effective on the date stated below.

DATED: \_\_\_\_\_

**BOXDROP, LLC**

**FRANCHISE OWNER**

By: \_\_\_\_\_  
Name: Jerry Williams \_\_\_\_\_  
Title: President \_\_\_\_\_

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

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

**EXHIBIT B  
TO THE  
BOXDROP FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

1. In consideration of the execution of that certain Franchise Agreement of even date herewith (the “Agreement”) by and between BoxDrop, LLC, an Ohio limited liability company (the “Company,” “we” or “us”), and \_\_\_\_\_ (“Franchisee”), each of the undersigned (each a “Guarantor,” collectively the “Guarantors”) hereby personally and unconditionally: (1) guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that the Franchisee will timely pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and any documents, agreements and instruments executed pursuant to or in connection with the Agreement (collectively, with the Agreement, the “Agreement Documents”); (2) agree personally to be bound by the provisions of Section 6.H (*Confidential Information*), Section 11 (*Competitive Business During Term*), Section 14.D (*Effect of Termination*), Section 14.E. (*Competitive Business after Tern or Expiration*) and Section 15 (*Relationship, Indemnification*) of the Agreement; and (3) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement Documents applicable to the Guarantor as provided for herein.

2. Each of the undersigned Guarantors hereby waives the following:

- (i) acceptance and notice of acceptance by us of the foregoing undertaking;
- (ii) notice of demand for payment of any indebtedness, or nonperformance of any obligations hereby guaranteed;
- (iii) protest and notice of default to any party respecting the indebtedness, or nonperformance of any obligations hereby guaranteed;
- (iv) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. Each of the undersigned Guarantors hereby consents and agrees that:

- (i) Guarantor’s liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, the other Guarantors and all signatories to similar guaranties of Franchisee’s obligations;
- (ii) Guarantor will render any payment or perform any obligation required under the Agreement Documents upon demand if Franchisee fails or refuses timely to do so;

(iii) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of Franchisee or any assignee or successor, and this Guaranty and Assumption of Obligations will apply to any claims we may have due to return of any payments or property we may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

(iv) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to Franchisee, including the acceptance of any partial payment or performance, or the compromise or release of any claims, , none of which will in any way modify or amend this Guaranty and Assumptions of Obligations, which will be continuing and irrevocable during and after the terms of the Agreement Documents, as the same may be amended or renewed, until Franchisee's duties and obligations to us are fully discharged and satisfied;

(v) Guarantor's liability hereunder will not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person, and we may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor;

(vi) Monies received from any source by us for application toward any payment of the obligations under the Agreement and under this Guaranty and Assumptions of Obligations may be applied in any manner or order deemed appropriate by us; and

(vii) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty and Assumptions of Obligations against Guarantor or any negotiations relative to the obligations hereby guaranteed.

4. If any Guarantor is a member, director, officer, or otherwise of the Franchisee and such Guarantor ceases to be a member, director, officer, or to own any interest in the Franchisee prior to the termination or expiration of the Agreement, that person agrees that their obligations under this Guaranty and Assumptions of Obligations shall continue to remain in force and effect unless we in our sole discretion, in writing, release the Guarantor from the obligations contained herein. Notwithstanding the foregoing, unless prohibited by applicable law, the obligations contained in Section 14 (*Termination of Agreement*) shall remain in force and effect against Guarantor for a period of two (2) years after any such release by us. A release by us of any Guarantor shall not affect the obligations of any other Guarantor.

5. If any of the following events occur, a default ("Default") under this Guaranty and Assumptions of Obligations shall exist: **(a)** failure of timely payment or performance of the obligations under this Guaranty and Assumptions of Obligations; **(b)** breach of any agreement or representation contained or referred to in this Guaranty and Assumptions of Obligations; **(c)** appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts

due any Guarantor. If a Default occurs, the obligations of the Guarantors shall be due immediately and payable without notice.

6. This Guaranty and Assumptions of Obligations shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Our interests in and rights under this Guaranty and Assumptions of Obligations are freely assignable, in whole or in part, by us. Any assignment shall not release any Guarantor from this Guaranty.

7. All capitalized terms when used herein will have the meaning ascribed to them in the Agreement. This Guaranty and Assumption of Obligations will be governed, construed and interpreted in accordance with the substantive laws of the State of Ohio, without giving effect to its conflicts of law principles. This Agreement may be executed in counterparts by electronic or facsimile transmission, all of which counterparts shall be deemed originals, all of which counterparts taken together shall constitute a single instrument, and the signature pages of each such counterpart may be detached from the several counterparts and attached to a single copy of this document to physically form a single instrument.

[Signatures appear on the following page]

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

**GUARANTOR(S):**

Signature: \_\_\_\_\_

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

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

**EXHIBIT C**

**DEVELOPMENT RIGHTS AGREEMENT**

**BOXDROP LLC**  
**DEVELOPMENT RIGHTS AGREEMENT**

This Development Rights Agreement (the “Agreement”) is made and entered into as of \_\_\_\_\_, 20\_\_ (the “Effective Date”), between BOXDROP LLC, an Ohio limited liability company (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”).

WHEREAS, prior to or simultaneously with the signing of this Agreement, you or your Affiliated Entity (as defined below) have entered into that certain Franchise Agreement with us dated as of the date hereof (the “Existing Agreement”) under which you or your approved Affiliated Entities will operate a BoxDrop Business at a location to be determined; and

WHEREAS, we and you are entering into this Agreement because you would like the right to develop a number of additional BoxDrop Businesses within a certain territory over a certain period of time and operate such BoxDrop Businesses [with your Affiliated Entities], and we are willing to grant you such development rights if you comply with this Agreement’s terms;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, we and you agree as follows:

1. **Grant of Development Rights.** Subject to your compliance with this Agreement, we hereby grant you the right to develop to total of \_\_\_\_\_ (\_\_\_) new BoxDrop Businesses, (which includes the BoxDrop Business(es) that you (or your Affiliated Entity) will operate under the Existing Agreement), in accordance with the mandatory development schedule (the “Schedule”) identified on Exhibit A to this Agreement, within the territory described on Exhibit B to this Agreement (the “Development Territory”).

2. **Term.** The term of this Agreement begins on the Effective Date and unless terminated earlier pursuant to the terms hereof, shall continue for so long as there are outstanding valid and effective Franchise Documents for the BoxDrop Businesses which have been developed and opened under this Agreement. Without limiting the generality of the foregoing, and subject to earlier termination pursuant to Section 10 (Termination), the development rights granted in Section 1 (Grant of Development Terms) and Section 3 (Exclusive Rights in Development Territory and Rights We Reserve) shall begin on the Effective Date, continue thereafter and end automatically without notice from either us or you, on the expiration of the Development Phase, and such expiration which shall not affect validity of the remainder terms and conditions of this Agreement.

3. **Exclusive Rights in Development Territory and Rights We Reserve.** If you are fully complying with all of your obligations under this Agreement, and you and your Affiliated Entities (if any) are fully complying with all of your and their obligations under the Existing Agreement and all other franchise agreements then in effect with us for the operation of BoxDrop Businesses, then, during the term of this Agreement only, and except for franchises we grant you and your approved Affiliated Entities pursuant to this Agreement, neither we nor any of our affiliates will operate, or grant a franchise for the operation of, a BoxDrop Business that operates under the Marks (as defined in the Existing Agreement) and is physically located within the Development Territory.

We and our affiliates may engage, and allow others to engage, in any other activities of any nature whatsoever, whether within or outside the Development Territory, subject only to your (or your Affiliated Entity's) rights under franchise agreements with us then in effect, including:

- (a) establishing and operating, and granting rights to other persons to establish and operate, on any terms and conditions we deem appropriate, BoxDrop Businesses or any similar or dissimilar businesses at any location outside the Development Territory;
- (b) all rights relating directly or indirectly to the Marks in connection with any methods of distribution, except as specifically set forth in the first sentence of this Section 3. This includes providing, and granting rights to other persons to provide, goods and services similar or dissimilar to, and/or competitive with, those provided at BoxDrop Businesses, whether identified by the Marks or other trademarks or service marks, through sales over the Internet and other electronic media, mobile applications, and mail orders whether within or outside the Development Territory; and
- (c) those which we now reserve in Section 2.D of the Existing Agreement (subject only to your rights with respect to BoxDrop Businesses in the first sentence of this Section 3).

After this Agreement expires or is terminated, regardless of the reason, or upon the expiration of the Development Phase (if sooner), we and our affiliates may engage, and allow others to engage, in any other activities we desire within and outside the Development Territory without any restrictions whatsoever, subject only to your (or your Affiliated Entity's) rights under franchise agreements with us then in effect.

4. **Development Fee.** You must pay us a "Development Fee" of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) simultaneously with signing this Agreement. The Development Fee is equal to 100% of the initial franchise fee owed under a franchise agreement for the first BoxDrop Business to be developed hereunder plus 50% of the initial franchise fee for each additional BoxDrop Businesses that you are authorized and required to develop under this Agreement pursuant to the Schedule. For the avoidance of doubt, the Development Fee does include the initial franchise fee for your first BoxDrop Business, which is due under the Existing Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Schedule. However, we will apply \$7,500 (or \$6,750 if you are a Qualified Veteran (as defined below) of the Development Fee towards the initial franchise fee owed under each subsequent franchise agreement after the Existing Agreement with us that you or your Affiliated Entities sign pursuant to this Agreement for the BoxDrop Businesses developed pursuant to the Schedule. For purposes of this Agreement, a "Qualified Veteran" means a franchisee or any of its owners was honorably discharged from any branch of the United States armed forces.

5. **Development Schedule.** To maintain your rights under this Agreement, you (and/or approved Affiliated Entities) must sign Franchise Documents (defined below) for, develop, and open for business the agreed-upon number of BoxDrop Businesses within the Development Territory by the dates set forth on the Schedule within the Development Phase.

The Schedule is not our representation, express or implied, that the Development Territory can support, or that there are sufficient sites for, the number of BoxDrop Businesses specified in the Schedule.

6. **Site Selection and Franchisee Acceptance.** To meet your obligations under the Schedule, you agree to give us the franchise application package that we periodically specify and all other information and materials that we periodically request to assess (a) each proposed BoxDrop Business site and market area, and (b) your (or the applicable Affiliated Entity's) financial and operational ability to develop and operate the proposed BoxDrop Business. We will not unreasonably withhold acceptance of any site you propose that meets our then current general standards, including size, layout, and other physical characteristics, as well as rental and lease terms. We will not unreasonably withhold approval of you or an Affiliated Entity as the franchisee of a BoxDrop Business if you or the Affiliated Entity meets our then current criteria for the financial and operational qualifications of BoxDrop Business franchisees, including the criteria under the Franchise Documents relating to the franchisee's operating partner and other management personnel of the BoxDrop Business. However, we have the absolute right to refuse to accept any site or disapprove any franchisee that does not meet these criteria.

We agree to use reasonable efforts to review and either accept or not accept the sites and approve or disapprove the franchisees that you propose after we receive all requested information and materials. If we accept a proposed site and approve your (or your Affiliated Entity's) financial and operational ability to develop and operate the proposed BoxDrop Business, then we will offer, and you or your approved Affiliated Entity (and your or its owners) must sign, a separate franchise agreement for that BoxDrop Business. If you or the Affiliated Entity (and your or its owners) do not do so within a reasonable time after delivery of the franchise agreement, or are unable to obtain lawful possession of the proposed site within a reasonable time after we accept the proposed site, we may withdraw our acceptance. Neither you nor any Affiliated Entity may sign any lease or sublease for a site without our approval and first signing, and complying with, the applicable Franchise Documents. After you or your Affiliated Entity signs the applicable Franchise Documents, their terms and conditions will control the development and operation of the BoxDrop Business.

If we accept a proposed site, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a BoxDrop Business or any other purpose. Our acceptance indicates only that we believe the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we accept fails to meet your expectations. In granting you the development rights under this Agreement, we are relying on your knowledge of the real estate market in the Development Territory and your ability to locate and access sites.

7. **Franchise Documents.** The franchise agreement (and related documents) that you or your Affiliated Entity will sign (or have signed) for each BoxDrop Business covered by this Agreement will be our then current form of franchise agreement and related documents, including personal guarantees (collectively, the "Franchise Documents"), any or all of the terms of which may differ substantially from the terms contained in the Existing Agreement which is

our current form of franchise agreement and related documents as of the Effective Date. You and your Owners (as defined in the Existing Agreement) will be required to guarantee the obligations and performance of all Franchise Documents, even if such Franchise Documents are executed by your Affiliated Entities.

8. **Complying with Development Schedule.** We will include a BoxDrop Business in the cumulative number of BoxDrop Businesses that must be open and operating in the Development Territory according to the Schedule only if it actually is operating and substantially complying with the terms of its Franchise Documents as of the end of a Development Period (as defined on Exhibit A). However, a BoxDrop Business which is, with our approval or because of fire or other casualty, permanently closed during a Development Period after being open and operating will be included in the cumulative number of BoxDrop Businesses that must be open and operating according to the Schedule during that particular Development Period (but not after).

Your failure to comply with the Schedule as of the end of any Development Period is a “Development Default.” Following a Development Default, and whether or not we provide you written notice of that Development Default, you must cure that Development Default by complying with the Schedule on or before the date which is sixty (60) days after the end of the Development Period with respect to which the Development Default occurred. This cure period does not reduce the Schedule for the next Development Period nor extend the time for you to comply with the Schedule for the next Development Period. In addition, if you commit two (2) Development Defaults in successive Development Periods, or three (3) Development Defaults at any time during the term of this Agreement, then we may (but need not):

- (a) terminate this Agreement pursuant to Section 10 (Termination);
- (b) extend the time of any Development Period (and thereby extend the time for all future Development Periods) for any period of time that we determine; and/or
- (c) reduce the size of the Development Territory to a lesser area that we determine.

9. **No Sublicensing Rights or Rights to Marks.** This Agreement does not give you any right to license others to operate BoxDrop Business. Only you (and your approved Affiliated Entities) may open and operate BoxDrop Businesses pursuant to this Agreement and only under Franchise Documents with us. This Agreement is not a franchise agreement and does not grant you the right to engage in the business of offering, selling or distributing goods and services under the Marks or to use the Marks in any manner. These rights are granted only by franchise agreements signed by you (or its approved Affiliated Entities) and us. Subject to Section 12 (Incorporation of Other Terms) below, any and all Franchise Documents are independent of this Agreement.

10. **Termination.**

- (a) You and we understand we can terminate your rights to develop BoxDrop Businesses under this Agreement without terminating this Agreement and the other terms

and conditions contained herein. We may terminate, in our sole discretion, this Agreement in its entirety, or your right to develop additional BoxDrop Businesses within the Development Territory under this Agreement at any time, effective upon delivery of written notice of termination, if:

i. you commit two (2) Development Defaults in successive Development Periods, or three (3) Development Defaults at any time during the term of this Agreement, or fail to cure any Development Default in accordance with Section 8 (Complying with Development Schedule) within sixty (60) days after the end of the Development Period with respect to which the Development Default occurred; or

ii. you or your Affiliated Entity breaches or otherwise is in default under any franchise agreement between us and you (or your Affiliated Entity) for a BoxDrop Business, regardless of whether any such franchise agreement is terminated or whether you (or your Affiliated Entity) eventually cure that breach or default (if the applicable franchise agreement provides a cure right); or

iii. you fail to satisfy any other obligations under this Agreement (other than a Development Default), which defaults you have no right to cure.

(b) Neither the termination of this Agreement nor the termination of the development rights contained herein, shall, without more, be grounds for the termination of any franchise agreement signed before the effective date of the termination of this Agreement. However, nothing in this Agreement shall limit our right to terminate any franchise agreement, including the right to terminate any such franchise agreement due to any event, cause or default which also forms the basis or grounds of the termination of this Agreement.

(c) If, pursuant to Section 10(a), we terminate your rights to develop additional BoxDrop Businesses under this Agreement without terminating the Agreement, you shall cease development of any new or unopened BoxDrop Businesses, and the rights and obligations set forth in Section 1 (Grant of Development Rights), Section 5 (Development Schedule) and Section 8 (Complying with Development Schedule) shall immediately be void and have no further effect. In addition to the foregoing, upon such a termination of the development rights herein and not a termination of this entire Agreement, you shall continue to be bound by the terms and conditions of this Agreement which are not related to the development of such new BoxDrop Businesses, including, without limitation, Section 2 (Term), Section 7 (Franchise Documents), Section 9 (No sublicensing Rights or Rights to Marks), Section 11 (Transfer Restrictions), Section 12 (Incorporation of Other Terms) and Section 13 (Your Entity). All of our and your obligations which expressly or by their nature survive this Agreement's expiration or termination 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.

## 11. **Transfer Restrictions.**

(a) You and your Owners acknowledge that we are granting you the rights under this Agreement because of our perception of your (and your Owners') individual and collective character, skill, business acumen, financial capability and proven ability to operate BoxDrop Business according to our System Standards. These rights are personal to you and your Owners. Therefore, you and your Owners may not transfer this Agreement or any of your ownership interests (whether directly or indirectly) without our prior written approval, which we may grant or withhold for any or no reason. For purposes of this Agreement, "transfer" includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

i. transfer of record or beneficial ownership of capital stock, a partnership or membership interest, or any other ownership interest or right to receive all or a portion of your profits or losses or any capital appreciation relating to you or any of the BoxDrop Businesses owned or operated by you or any Affiliated Entities;

ii. a merger, consolidation or exchange of ownership interests, or issuance of additional ownership interests or securities representing or potentially representing ownership interests, or a redemption of ownership interests;

iii. any sale or exchange of voting interests or securities convertible to voting interests, or any management agreement or other agreement granting the right to exercise or control the exercise of the voting rights of any Owner of yours or to control your operations or affairs;

iv. transfer of an interest in you, this Agreement, any other agreement entered into by and between us and you or your Affiliated Entities covered by the Franchise Documents (or any right to receive all or a portion of your or the BoxDrop Business's profits or losses or any capital appreciation relating to you or the BoxDrop Businesses) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

v. if you or one of your Owners dies, transfer of an interest in you, any Affiliated Entity, the Franchise Documents or the BoxDrop Businesses (or any right to receive all or a portion of your or the BoxDrop Business's profits or losses or any capital appreciation relating to you or the BoxDrop Business) by will, declaration of or transfer in trust, or under the laws of intestate succession; or

vi. the grant of a mortgage, charge, pledge, collateral assignment, lien or security interest in any interest in this Agreement or the Franchise Documents, the BoxDrop Businesses, any other agreement by and between us and you or your Affiliated Entities, or an ownership interest in you or your Affiliated Entities; foreclosure upon or attachment or seizure of any of the BoxDrop Businesses or any of their operating assets; or your (or your Affiliated Entities) transfer, surrender or loss of the BoxDrop Business's possession, control or management.

(b) You acknowledge our current requirement is that developers (directly or through Affiliated Entities) must continue to own and operate all of the BoxDrop Businesses located in their Development Territory throughout the entire terms of their franchise agreements. We believe these requirements are important in order to (among other reasons) establish continuity and cooperation among the BoxDrop Business in the market and protect the BoxDrop® brand. Therefore, you and your Owners agree that if you, any of your Owners, or any Affiliated Entity seeks to enter into any transfer that would (if consummated) require our approval pursuant to this Section 11 or the applicable Franchise Documents, regardless of the form of transaction, then we may condition our approval of that transfer (in addition to any other conditions set forth in this Agreement or the applicable Franchise Documents) on the simultaneous transfer to that transferee of other rights, interests, obligations, assets, and/or ownership interests such that, following such transfer, you (or your successor in interest, including the transferee) own and operate (directly or through your Affiliated Entities) all of the BoxDrop Businesses in the Development Territory.

(c) We may transfer this Agreement or any of our ownership interests without restriction.

12. **Incorporation of Other Terms.** Section 6(H) (Confidential Information), Section 14.E (Competitive Business After Term or Expiration), Section 15 (Relationship of the Parties/Indemnification), Section 17 (Our Security Interest) and Section 18 (Dispute Resolution) of the Existing Agreement including the arbitration obligations in Section 18 (collectively, the “Other Terms”), are incorporated by reference in this Agreement and will govern all aspects of our relationship with you under this Agreement and the construction of this Agreement as if fully restated within the text of this Agreement, even if the Existing Agreement is entered into by your Affiliated Entity and not you directly. You and we acknowledge and agree that all such Other Terms shall remain in full force and effect under this Agreement for the full duration and term of this Agreement, independent of the term or earlier termination of the Existing Agreement.

13. **Your Entity.** Your organizational documents, operating agreement, and/or partnership agreement will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other governing documents representing such ownership interests in you (including, but not limited to, an operating or LLC agreement) will bear a legend referring to this Agreement’s restrictions. Exhibit C to this Agreement completely and accurately describes all of your Owners and their ownership interests in you. Subject to our rights and your obligations under Section 11 (Transfer Restrictions) of this Agreement, you and your Owners agree to sign and deliver to us a revised Exhibits C to reflect any changes in the information that Exhibit C now contains. Each of your Owners at any time (current and future, and their spouses, if they are married) during this Agreement’s term shall execute the Guaranty and Assumption of Obligations Agreement, in the form attached to this Agreement as Exhibit D, whereby each such Owner personally agrees to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you (and your Affiliated Entities) and

us, including, without limitations, all Franchise Documents.<sup>1</sup> For purpose of this Agreement, the term “Affiliated Entity” means any corporation, limited liability company or other business entity (a) of which you or one or more of your Owners owns at least fifty-one percent (51%) of the total outstanding ownership interests and has the power unilaterally, without the consent or approval of any other person or Entity, to direct and control the entity’s management and policies; and (b) that is approved by us in our sole judgment to own and operate a BoxDrop Business.

14. **Entire Agreement; Construction.** The preambles and exhibits are a part of this Agreement which, together with the Existing Agreement and any riders, exhibits, or addenda signed at the same time as this Agreement, constitutes our and your entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you. There are no other oral or written representations, warranties, understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in this or any related agreement is intended to disclaim the representations we made to you in the latest franchise disclosure document that we furnished to you. All capitalized terms used but not defined in this Agreement shall have the meanings in the Existing Agreement. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

[Signatures appear on the following page]

---

<sup>1</sup> Note: If the entity signing this Development Rights Agreement is the same entity that will enter into the Existing Agreement then the Guaranty and Assumptions of Obligations will not be required under this Development Rights Agreement and such Guaranty will be executed under the Existing Agreement.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Development Rights Agreement effective as of the Effective Date.

**US:**  
**BOXDROP LLC,**  
a Delaware limited liability company

**YOU:**  
**[NAME],**  
a [entity choice]

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

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

**EXHIBIT A**  
**TO DEVELOPMENT RIGHTS AGREEMENT**

You agree to open \_\_\_\_\_ ( ) total BoxDrop Businesses within the Development Territory (including the BoxDrop Business to be opened under the Existing Agreement) according to the following Schedule within the following time periods (each a “Development Period” and collectively the “Development Phase”):

<b>Development Period Ending On:</b>	<b>Cumulative Number of New BoxDrop Businesses To Be Opened and Operating No Later Than the Opening Date (in Previous Column)</b>
[date]	[...]
[date]	[...]
[date]	[...]
<b>Total BoxDrop Businesses as of [date]</b>	[...]

**US:**  
**BOXDROP LLC,**  
a Delaware limited liability company

**YOU:**  
**[NAME],**  
a [entity choice]

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

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

**EXHIBIT B**  
**TO DEVELOPMENT RIGHTS AGREEMENT**

The Development Territory is defined as the entire area encompassed \_\_\_\_\_ in the State of \_\_\_\_\_, as the boundaries of those territories exist on the date of this Agreement. The Development Territory is depicted on the map attached to this Exhibit B. However, if there is an inconsistency between the language in this Exhibit B and the attached map, the language in this Exhibit B shall control.

**US:**  
**BOXDROP LLC,**  
a Delaware limited liability company

**YOU:**  
**[NAME],**  
a [entity choice]

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

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

**MAP OF  
DEVELOPMENT TERRITORY**

**Exhibit C  
TO DEVELOPMENT RIGHTS AGREEMENT**

**DEVELOPER INFORMATION**

**Effective Date: This Exhibit C is current and complete  
as of \_\_\_\_\_, 20\_\_**

**Owners.** The following list includes the full name of each person who is one of Developer's Owners (as defined in the Franchise Agreement) and fully describes the nature of each Owner's interest (attach additional pages if necessary).

<b><u>Owner's Name</u></b>	<b><u>Percentage Ownership</u></b>
(a) _____	_____
(b) _____	_____
(c) _____	_____
(d) _____	_____

**Officers/Directors.** The following list includes the full name of each person who is one of Developer's officers or directors, and includes each individual's title(s).

<b><u>Name of Each Director/Officer/Manager</u></b>	<b><u>Title(s)</u></b>
_____	_____
_____	_____

**Operating Owner.**

The Operating Owner is \_\_\_\_\_.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Exhibit C to the Development Rights Agreement effective as of the Effective Date.

**US:**  
**BOXDROP LLC,**  
a Delaware limited liability company

**YOU:**  
**[NAME],**  
a [entity choice]

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

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

**EXHIBIT D**  
**TO DEVELOPMENT RIGHTS AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

1. In consideration of, and as an inducement to, the execution of that certain Development Rights Agreement (the “Agreement”) by and between BoxDrop LLC, an Ohio limited liability company (the “Company,” “we” or “us”), and \_\_\_\_\_ (“Developer”), each of the undersigned (each a “Guarantor,” collectively the “Guarantors”) hereby personally and unconditionally: (1) guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Developer will timely pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and any documents, agreements and instruments executed pursuant to or in connection with the Agreement (collectively, with the Agreement, the “Agreement Documents”); (2) agree personally to be bound by the provisions of Section 6.H (*Confidential Information*), Section 11 (*Competitive Business During Term*), Section 14.D (*Effect of Termination*), Section 14.E. (*Competitive Business after Term or Expiration*) and Section 15 (*Relationship, Indemnification*) of the Franchise Agreement (as defined in the Agreement); and (3) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement Documents applicable to the Guarantor as provided for herein.

2. Each of the undersigned Guarantors hereby waives the following:

- (i) acceptance and notice of acceptance by us of the foregoing undertaking;
- (ii) notice of demand for payment of any indebtedness, or nonperformance of any obligations hereby guaranteed;
- (iii) protest and notice of default to any party respecting the indebtedness, or nonperformance of any obligations hereby guaranteed;
- (iv) any right the undersigned may have to require that an action be brought against Developer or any other person as a condition of liability; and
- (v) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. Each of the undersigned Guarantors hereby consents and agrees that:

- (i) Guarantor’s liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, the other Guarantors and all signatories to similar guaranties of Developer’s obligations;
- (ii) Guarantor will render any payment or perform any obligation required under the Agreement Documents upon demand if Developer fails or refuses timely to do so;

(iii) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of Developer or any assignee or successor, and this Guaranty and Assumption of Obligations will apply to any claims we may have due to return of any payments or property we may have received from Developer as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

(iv) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to Developer, including the acceptance of any partial payment or performance, or the compromise or release of any claims, , none of which will in any way modify or amend this Guaranty and Assumptions of Obligations, which will be continuing and irrevocable during and after the terms of the Agreement Documents, as the same may be amended or renewed, until Developer's duties and obligations to us are fully discharged and satisfied;

(v) Guarantor's liability hereunder will not be contingent or conditioned upon pursuit by us of any remedies against Developer or any other person, and we may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor;

(vi) Monies received from any source by us for application toward any payment of the obligations under the Agreement and under this Guaranty and Assumptions of Obligations may be applied in any manner or order deemed appropriate by us; and

(vii) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty and Assumptions of Obligations against Guarantor or any negotiations relative to the obligations hereby guaranteed.

4. If any Guarantor is a member, director, officer, or otherwise of the Developer and such Guarantor ceases to be a member, director, officer, or to own any interest in the Developer prior to the termination or expiration of the Agreement, that person agrees that their obligations under this Guaranty and Assumptions of Obligations shall continue to remain in force and effect unless we in our sole discretion, in writing, release the Guarantor from the obligations contained herein. Notwithstanding the foregoing, unless prohibited by applicable law, the obligations contained in Section 14 (*Termination of Agreement*) of the Franchise Agreement shall remain in force and effect against Guarantor for a period of two (2) years after any such release by us. A release by us of any Guarantor shall not affect the obligations of any other Guarantor.

5. If any of the following events occur, a default ("Default") under this Guaranty and Assumptions of Obligations shall exist: **(a)** failure of timely payment or performance of the obligations under this Guaranty and Assumptions of Obligations; **(b)** breach of any agreement or representation contained or referred to in this Guaranty and Assumptions of Obligations; **(c)** appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing

of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of the Guarantors shall be due immediately and payable without notice.

6. This Guaranty and Assumptions of Obligations shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Our interests in and rights under this Guaranty and Assumptions of Obligations are freely assignable, in whole or in part, by us. Any assignment shall not release any Guarantor from this Guaranty.

7. All capitalized terms when used herein will have the meaning ascribed to them in the Agreement. This Guaranty and Assumption of Obligations will be governed, construed and interpreted in accordance with the substantive laws of the State of Ohio, without giving effect to its conflicts of law principles. This Agreement may be executed in counterparts by electronic or facsimile transmission, all of which counterparts shall be deemed originals, all of which counterparts taken together shall constitute a single instrument, and the signature pages of each such counterpart may be detached from the several counterparts and attached to a single copy of this document to physically form a single instrument.

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

**GUARANTOR(S):**

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Percentage of Ownership in Developer: \_\_\_\_%

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Percentage of Ownership in Developer: \_\_\_\_%

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Percentage of Ownership in Developer: \_\_\_\_%

**EXHIBIT D**

AMENDMENT NO. 1 TO FRANCHISE AGREEMENT (RSS DEALERS ONLY)

See attached.

## **AMENDMENT NO. 1 TO FRANCHISE AGREEMENT**

This Amendment No. 1 to Franchise Agreement (“**Amendment**”) is made effective as of \_\_\_\_\_ (the “Effective Date”), by and between BoxDrop, LLC., an Ohio limited liability company, (“**we,**” “**us,**” or “**our**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**you**” or “**your**”).

### **RECITALS**

A. Concurrently with the execution of this Amendment, you and we have signed that certain Franchise Agreement, dated as of the Effective Date (the “**Franchise Agreement**”), pursuant to which we granted you a Franchise to develop and operate a BoxDrop Store at a Site described therein.

B. At the time you executed the Franchise Agreement, you were operating a business at the Site pursuant to a [License and Dealer Agreement originally executed between our affiliate, Retail Service Systems, Inc., an Ohio corporation (“**RSS**”), and you on [DATE]] OR [a Dealership Agreement originally executed between our predecessor, Power Marketing Direct, Inc., an Ohio corporation (“**PMD**”), and you on [DATE] which such agreement was assigned by PMD to us on June 12, 2013] (the “**Dealership Agreement**”). By signing the Franchise Agreement, you and we intend that the Dealership Agreement be terminated and that your continued operation of the business at the Site (hereinafter the “**Store**”) will be hereafter governed by the Franchise Agreement, as amended by this Amendment.

C. In recognition of the operation of your business under the Dealership Agreement, we are willing to amend certain provisions of the Franchise Agreement as described in this Amendment. Capitalized terms used, but not defined, in this Amendment shall have the meanings ascribed to them in the Franchise Agreement.

### **AGREEMENT**

**FOR AND IN CONSIDERATION** of the foregoing Recitals and the undertakings and commitments set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Termination of Dealership Agreement.** You and we acknowledge and agree that the Dealership Agreement and all rights and obligations thereunder are hereby terminated and that your operation of the Store will, from and after the Effective Date, be governed by the Franchise Agreement, as amended by this Amendment. Notwithstanding the foregoing termination, you agree to pay us or our affiliates, as applicable, all monies which have accrued through the Effective Date, which are due and owing, and which are as of the Effective Date unpaid, including, without limitation, any amounts due and payable or which hereafter become due and payable under any promissory note issued in payment of the initial fee due under the Dealership Agreement.

2. **Development Obligations.** You and we recognize and agree that the Store is, as of the Effective Date, open and operating and that, therefore, the obligations set forth in

Section 3 of the Franchise Agreement are deemed to have been satisfied.

3. **Initial Franchise Fee.** In recognition of the operation of your business under the Dealership Agreement, we hereby waive the provisions of section 4.A of the Franchise Agreement which require payment of an Initial Franchise Fee upon your execution of the Franchise Agreement.

4. **Confidential Information.** You and we recognize that certain confidential information that is licensed under the Franchise Agreement has already been disclosed to you under the Dealership Agreement. You agree that all such information that would be included in the definition of Confidential Information will be deemed to be included in such definition notwithstanding that it was disclosed under the Dealership Agreement rather than under the Franchise Agreement.

5. **Release.** You, on behalf of yourself and your current and former shareholders, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns, hereby release us, RSS, PMD and our respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries, divisions, and successors and assigns (collectively, "**Released Parties**") of and from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity whether known or unknown, from the beginning of time to the date hereof including, without limitation any and all claims arising out of the Dealership Agreement and any other relationship or transaction with the Released Parties, however characterized or described.

**(For California Residents Only)** It is your intention in executing this Amendment that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand, or cause of action released by you as described above. You recognize that you may have some claim, demand, or cause of action against the Released Parties of which you are totally unaware and unsuspecting, which you are giving up by executing this Agreement. It is your intention in executing this instrument that it will deprive you of each such claim, demand, or cause of action and prevent you from asserting it against us or the Released Parties. In furtherance of this intention, you expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." You acknowledge and represent that you have consulted with legal counsel before executing this Amendment and that you understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this Amendment shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands, and causes of action.

6. **Entire Agreement; Effect of Amendment.** This Amendment reflects the entire agreement and understanding of the parties with respect to the matters set forth herein. All provisions of the Franchise Agreement which are not specifically addressed herein shall

continue in full force and effect as provided in the Franchise Agreement. The Franchise Agreement shall be amended only as expressly set forth herein.

7. **Capitalized Terms**. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Franchise Agreement.

[Signatures appear on the following page]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment No. 1 to Franchise Agreement effective on the date stated below.

DATED: \_\_\_\_\_

**BOXDROP, LLC.**

**FRANCHISE OWNER**

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

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

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

**EXHIBIT E**

FINANCIAL STATEMENTS

Please see attached.

# **BoxDrop, LLC**

Financial Statements and  
Independent Auditors' Report

December 31, 2023, 2022, and 2021

# BoxDrop, LLC

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets	3
Statements of Operations and Members' Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 10
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of General and Administrative Expenses	11



## INDEPENDENT AUDITORS' REPORT

To the Member and Management  
of BoxDrop, LLC  
Dublin, Ohio

### Opinion

We have audited the accompanying financial statements of BoxDrop, LLC (an Ohio Limited Liability Company), which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BoxDrop, LLC as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 BoxDrop, LLC'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 BoxDrop, LLC's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown in the Schedule of General and Administrative Expenses included in this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nartker, Grunewald, Eschleman & Cooper LLC*

Dublin, Ohio  
March 22, 2024

# BoxDrop, LLC

## Balance Sheets

December 31, 2023, 2022 and 2021

### ASSETS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 165,857	\$ 520,528	\$ 1,278,171
Accounts and notes receivable, trade	342,282	275,977	167,535
Due from related parties	1,400,000	600,000	-
Inventory	36,129	157,833	268,296
Total current assets	<u>1,944,268</u>	<u>1,554,338</u>	<u>1,714,002</u>
<b>PROPERTY AND EQUIPMENT</b>			
Office equipment and furnishings	20,175	20,175	16,581
Less accumulated depreciation	(20,175)	(11,489)	(6,298)
Net property and equipment	<u>-</u>	<u>8,686</u>	<u>10,283</u>
Total assets	<u>\$ 1,944,268</u>	<u>\$ 1,563,024</u>	<u>\$ 1,724,285</u>

### LIABILITIES AND MEMBERS' EQUITY

<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 743,852	\$ 986,690	\$ 1,115,918
Sales tax payable	2,945	3,118	15,491
Due to related parties	97,150	80,204	122,351
Total current liabilities	<u>843,947</u>	<u>1,070,012</u>	<u>1,253,760</u>
Members' equity	<u>1,100,321</u>	<u>493,012</u>	<u>470,525</u>
Total liabilities and members' equity	<u>\$ 1,944,268</u>	<u>\$ 1,563,024</u>	<u>\$ 1,724,285</u>

See accompanying notes and independent auditors' report.

# BoxDrop, LLC

## Statements of Operations and Members' Equity

Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>REVENUE</b>			
Product sales	\$ 23,430,150	\$ 18,858,561	\$ 17,189,269
Cost of sales	<u>20,510,542</u>	<u>16,605,843</u>	<u>15,017,702</u>
Gross profit	2,919,608	2,252,718	2,171,567
Franchise fees	<u>192,867</u>	<u>42,000</u>	<u>22,500</u>
<b>NET INCOME BEFORE G&amp;A EXPENSES</b>	3,112,475	2,294,718	2,194,067
General and Administrative Expenses	<u>2,506,617</u>	<u>2,272,231</u>	<u>1,797,074</u>
<b>NET INCOME FROM OPERATIONS</b>	605,858	22,487	396,993
<b>OTHER INCOME</b>			
Interest income	<u>1,451</u>	<u>-</u>	<u>-</u>
<b>NET INCOME</b>	607,309	22,487	396,993
<b>MEMBERS' EQUITY, beginning of year</b>	<u>493,012</u>	<u>470,525</u>	<u>73,532</u>
<b>MEMBERS' EQUITY, end of year</b>	<u><u>\$ 1,100,321</u></u>	<u><u>\$ 493,012</u></u>	<u><u>\$ 470,525</u></u>

See accompanying notes and independent auditors' report.

# BoxDrop, LLC

## Statements of Cash Flows

Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 607,309	\$ 22,487	\$ 396,993
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,686	5,192	5,576
Effects of change in operating assets and liabilities:			
Accounts and notes receivable, trade	(66,305)	(108,442)	(59,359)
Inventory	121,704	110,464	(195,242)
Accounts payable, trade	(242,838)	(129,228)	608,459
Sales tax payable	(173)	(12,375)	11,025
Net cash provided by (used in) operating activities	<u>428,383</u>	<u>(111,902)</u>	<u>767,452</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment, net of disposals	-	(3,594)	(3,594)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(3,594)</u>	<u>(3,594)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment/(Advances) from related parties	16,946	(42,147)	(62,313)
Repayment/(Advances) to related parties	(800,000)	(600,000)	-
Net cash provided by (used in) financing activities	<u>(783,054)</u>	<u>(642,147)</u>	<u>(62,313)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>\$ (354,671)</b>	<b>\$ (757,643)</b>	<b>\$ 701,545</b>
<b>CASH - beginning of year</b>	<u>520,528</u>	<u>1,278,171</u>	<u>576,626</u>
<b>CASH - end of year</b>	<u><u>\$ 165,857</u></u>	<u><u>\$ 520,528</u></u>	<u><u>\$ 1,278,171</u></u>

See accompanying notes and independent auditors' report.

# BoxDrop, LLC

## Notes to Financial Statements

December 31, 2023, 2022, and 2021

### **NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Operations**

BoxDrop, LLC (the Company) was formed as an Ohio Limited Liability Company on August 19, 2019 and is a franchisor of retail businesses that sell primarily mattresses, bedding products and furniture products under the “BoxDrop” brand name. Franchise businesses are located throughout the United States.

BoxDrop, LLC owned and operated two company owned locations during 2023, which sell products to retail customers and facilitate the distribution of products to franchisees. The company location in Delaware, Ohio opened in September 2023 and the company location in Jacksonville, Florida closed in May 2023.

BoxDrop, LLC is a wholly owned subsidiary of Retail Service Systems, Inc. (RSS). RSS has ownership in various entities that conduct business activities in the same or related industries as BoxDrop, LLC but does not compete with BoxDrop, LLC.

The Company uses the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

#### **Summary of Significant Accounting Policies**

##### ***Cash***

Cash includes funds held at financial institutions. At times such deposits may be in excess of the insurance limits provided by the Federal Deposit Insurance Corporations.

##### ***Accounts and Notes Receivable***

Receivables are due from franchisees for the purchase of products. Accounts receivable are recorded at the invoiced amount and do not bear interest.

Notes receivable consist of initial franchise fees that are financed over a twelve-month period and bear interest at varying rates.

The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company determines the allowance based on historical collections, customers’ current creditworthiness, age of the receivable balance both individually and in the aggregate, and general economic conditions that may affect the customer’s ability to pay. All account balances are reviewed on an individual basis. As of December 31, 2023, management has determined that all receivables are collectible.

# BoxDrop, LLC

## Notes to Financial Statements (Continued)

December 31, 2023, 2022, and 2021

### **NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

#### ***Inventory***

Inventory is stated at the lower of cost or net realizable value and includes mattresses, bedding and furniture products.

#### ***Property and Equipment***

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Renewals and betterments that materially extend the life of the assets are capitalized.

#### ***Use of Estimates***

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

#### ***Income Taxes***

BoxDrop, LLC is a wholly owned single member Limited Liability Company under the provisions of the Internal Revenue Code. For income tax purposes, the activities of BoxDrop, LLC are reported on the tax return of the parent Company, Retail Service Systems. Included in General and Administration Expenses are state income and franchise taxes allocated to BoxDrop, LLC by the parent.

#### ***Advertising***

Advertising costs are charged to operating costs as incurred.

#### ***Recently Issued Revenue Recognition Standard***

In May 2014, the Financial Accounting Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 “Revenue from Contracts with Customers (Topic ASC 606). The ASU and all subsequently issued clarifying ASU’s replaced or superseded all previously existing revenue recognition guidance under U.S. GAAP. The core principle of ASC 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services.

# BoxDrop, LLC

## Notes to Financial Statements (Continued)

December 31, 2023, 2022, and 2021

### NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### ***Recently Issued Revenue Recognition Standard – (continued)***

ASC 606 defines a five-step process to achieve this principle and, in doing so, at times more judgment and estimates are required within the revenue recognition process than was required under the previous FASB revenue recognition rules, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer.

A performance obligation is considered distinct when both (i) a customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer and (ii) the promised product or service is separately identifiable from other promises in the contract. Additionally, ASC 606 provides guidance related to costs of obtaining a contract with a customer that an entity expects to recover and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company prepares its financial statements in accordance with the provisions of ASU 606 and all amendments. The Company adopted the requirements of ASU 606 as of January 1, 2020, utilizing the modified retrospective method of transition. The Company determined that no differences existed in revenue related account balances as a result of this guidance and accordingly, no adjustment to beginning equity was necessary.

#### ***Revenue Recognition***

The Company derives its revenues from the following sources:

- 1) Franchise fees – A non-refundable initial franchise fee is due upon the execution of the franchise agreement. This fee was waived for franchise agreements executed prior to June 30, 2021. In accordance with ASU 606, the Company recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services.

The Company has determined that the entire initial franchise fee is related to distinct pre-opening goods or services and that all performance obligations are met, and all franchise fee revenue is recognized, upon the opening of the franchise.

# BoxDrop, LLC

## Notes to Financial Statements (Continued)

December 31, 2023, 2022, and 2021

### **NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

#### ***Revenue Recognition – (continued)***

In accordance with ASU 2021-02, *Franchisors – Revenue from contracts with Customers (Subtopic 952-606)*; *practical expedient*, the Company accounts for pre-opening services provided to a franchisee as distinct from the franchise license and has made an accounting policy election, which allows the Company to recognize for pre-opening services as a single performance obligation.

- 2) Product sales – The Company sells mattresses, bedding products and furniture products to its franchisees and retail consumers through its company owned location. Sales are recognized when the products are shipped.

#### ***Concentrations of Credit Risk***

Certain financial instruments subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and accounts receivable. At times the Company's cash balances may exceed federally insured limits. The Company has not experienced any losses in such bank accounts and believes that it is not exposed to significant credit risk.

### **NOTE 2 – RELATED PARTY TRANSACTIONS**

The Company entered into a management services agreement with RSS to provide certain financial, operating, legal, administrative and other business support services. Management fees are based on the cost of actual services provided. The initial term of the agreement is for one year and renews automatically thereafter.

During 2023, 2022, 2021, the Company purchased product from a related entity. Included in trade accounts payable is amounts owed to that entity of \$245,529, \$366,170, and \$568,585, respectively.

The Jacksonville, Florida location rented warehouse space from RSS, according to the terms of a 12-month rental agreement, which was renegotiated annually.

In addition, the Company utilizes office space owned by RSS Capital Ventures, LLC, a related Company. The allocated cost of this rental space is included in the management fee expense charged by RSS.

# **BoxDrop, LLC**

## **Notes to Financial Statements (Continued)**

December 31, 2023, 2022, and 2021

### **NOTE 3 – RELATED PARTY LOANS**

As part of its routine business operations, the Company advances money to or receives advances from various related parties, including RSS. These advances are non-interest bearing and contain no specific repayment terms.

### **NOTE 4 – FAIR VALUE MEASUREMENTS**

Based on accounting guidance, the Company has reviewed its assets and liabilities as of December 31, 2023, 2022, and 2021 for appropriate fair value measurement and classification.

Due to the relatively short-term nature of its financial assets and liabilities, the Company considers the carrying values as of December 31, 2023, 2022, and 2021 to approximate fair value.

### **NOTE 5 – LEASES**

Effective January 1, 2022, the Company adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The Company's rent agreement for warehouse space is for a 12-month term. Therefore, no ROU asset or lease liability is established, and lease payments are recognized in the Statement of Operations on straight-line basis over the lease term.

### **NOTE 6 – SUBSEQUENT EVENTS REVIEW**

Management has evaluated events through March 22, 2024, which was the date that the financial statements were available to be issued, to determine whether any subsequent events necessitated adjustments to or disclosure in the financial statements. No such subsequent events were identified.

## **SUPPLEMENTARY INFORMATION**

## BoxDrop, LLC

### Schedules of General and Administrative Expenses

Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
National conference, training, R&D, customer service, professional fees and management fees	\$ 1,779,015	\$ 1,566,100	\$ 1,121,025
Transaction fees	498,810	410,761	315,211
Recruiting expense	3,000	3,500	6,500
Labor expense	35,401	93,642	174,916
Office supplies	2,894	6,422	6,577
Telephone and utilities	5,792	6,281	5,161
Advertising	43,400	94,397	62,279
Taxes	9,523	13,150	35,512
Depreciation	8,686	5,192	5,576
Bad debt	91,099	624	2,317
Rent - warehouse	28,997	72,162	62,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total general and administrative expenses	<u>\$ 2,506,617</u>	<u>\$ 2,272,231</u>	<u>\$ 1,797,074</u>

See independent auditors' report.

**EXHIBIT F**

CONFIDENTIALITY AGREEMENT

See attached

## **CONFIDENTIALITY AGREEMENT**

**THIS CONFIDENTIALITY AGREEMENT** ("Agreement") by and between BoxDrop, LLC, an Ohio limited liability company ("BoxDrop") and \_\_\_\_\_ ("Franchisee") and each of the undersigned individuals (together with the Franchisee, each a "Recipient" and collectively the "Recipients"), is dated the date that all parties have signed below.

**WHEREAS**, Recipients desire to discuss matters relating to the possible development of a franchised BoxDrop mattress and furniture retail store (a "Franchised Business") and participate in certain BoxDrop-sponsored meetings and/or discussions and/or training events at which Proprietary Information (as defined below) will be shared and/or discussed; and

**WHEREAS**, BoxDrop desires to engage in such discussions with Recipients while maintaining the confidentiality of such Proprietary Information.

**NOW, THEREFORE**, in consideration of the right to participate in such meetings and/or discussions and to become a franchisee a Franchised Business as a condition to the disclosure of Proprietary Information to the Recipients, each Recipient hereby agrees as follows:

**1.** The term "Proprietary Information" means (a) any information, material or documents relating to BoxDrop, its business, assets, financial condition, operations, products, promotions, member relations, services, service provider recruitment and retention, supplier relationships, trade secrets, know-how, strategies and prospects acquired by a Recipient at any time; (b) any information, material or documents obtained by a Recipient during the course of meetings or discussions with BoxDrop and/or its representatives or agents; and (c) any information, material or documents provided by BoxDrop to a Recipient in connection with the execution of a franchise agreement with BoxDrop for a Franchised Business (a "Franchise Agreement", a form of which was attached to the BoxDrop Franchise Disclosure Document Recipients received) and a Recipient's operation of the Franchised Business, including, without limitation the Operations Manual (as defined in the Franchise Agreement) and any Confidential Information (as defined in the Franchise Agreement). Proprietary Information may be furnished to a Recipient either orally, in writing, by inspection, through computer, tape or other electronic, mechanical or visual media. For purposes of this Agreement, Proprietary Information shall not include any information which is generally available to the public other than as a result of disclosure by a Recipient.

**2.** All Proprietary Information is the exclusive property of BoxDrop and BoxDrop has the sole and exclusive right to use, duplicate, implement and/or dispose of such Proprietary Information.

**3.** All Proprietary Information shall remain confidential in accordance with this Agreement. Without BoxDrop's prior written consent, Recipients shall not, directly or indirectly, (a) disclose or reveal any Proprietary Information to any person, firm or entity; (b) use the Proprietary Information for any purpose other than in connection with its performance of services

for BoxDrop or as a franchisee of BoxDrop Franchised Business; and (c) disclose to any person, firm or entity the terms, conditions or other facts with respect to this Agreement (including its existence or status).

4. In the event a Recipient becomes legally compelled to disclose any of the Proprietary Information, it will provide immediate notice to BoxDrop so that BoxDrop may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement.

5. Upon receipt of written notice from BoxDrop, Recipients shall promptly deliver to BoxDrop (a) all written or tangible materials (including, by way of example and not of limitation, documents, memoranda, notes and other writings, computer disks, tapes and printouts) containing or reflecting any Proprietary Information, without retaining any copies, summaries, analyses or extracts thereof; and (b) all written or tangible materials (including, by way of example and not of limitation, documents, memoranda, notes and other writings, computer disks, tapes and printouts) whatsoever which have been prepared by Recipients in connection with its relationship with BoxDrop or its performance of services for BoxDrop, without retaining any copies, summaries, analyses or extracts thereof.

6. Recipients acknowledge that a breach of any of the provisions of this Agreement will have a material and adverse effect upon BoxDrop and damages arising from such breach may be difficult to ascertain. Consequently, Recipients agree that in addition to, and without limiting any other right or remedy BoxDrop may have, BoxDrop is entitled to equitable relief, including injunction and specific performance.

7. Recipients agree to, jointly and severally, indemnify, defend and hold harmless BoxDrop, its subsidiaries, affiliates and franchisees against any and all losses, expenses, liabilities, actions, claims, demands, liens, damages, and/or judgments (collectively the "Losses") including reasonable attorneys' fees and litigation costs directly arising from the unauthorized disclosure or use of the Proprietary Information by a Recipient. The obligation to defend, indemnify and hold harmless shall include payment or reimbursement for all Losses, whether or not resulting from third party claims, but shall not include Losses resulting directly from any negligent or willful act of the indemnified party.

8. In the event that a Recipient is required to divulge Proprietary Information to any third party in the course of performing services for BoxDrop, such Recipient shall require each such third party to execute a confidentiality agreement acceptable to BoxDrop prior to the disclosure of the Proprietary Information.

9. This Agreement will be enforceable by the successors and assigns of BoxDrop.

10. The provisions of this Agreement shall be severable. In the event that any of the provisions hereof are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law.

**11.** This Agreement may be waived, amended, or modified only by an instrument in writing signed by the party against whom such waiver, amendment or modification is sought to be enforced, and such written instrument shall set forth specifically the provisions of this Agreement which are to be so waived, amended or modified.

**12.** This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed an original. All such counterparts shall together constitute but one and the same instrument.

**13.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Ohio. Any disputes arising out of this agreement shall be brought in the Common Pleas Court of Franklin County, Ohio, and Franchisee waives any objection it might have to the personal jurisdiction of or venue in such court and waives any right to file or remove any such action or claim to federal court.

[Signatures appear on the following pages]

IN WITNESS WHEREOF, the parties hereto have duly caused this Agreement to be executed as of the dates written below.

**BOXDROP:**

**BoxDrop, LLC**  
an Ohio limited liability company

Signature: \_\_\_\_\_

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

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

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

**RECIPIENTS:**

**Franchisee Name:** \_\_\_\_\_

Signature: \_\_\_\_\_

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

**EXHIBIT G**

**OPERATIONS MANUAL TABLE OF CONTENTS**

	<i>Page</i>
I. Introduction.....	1
A.    Ownership of Manual .....	1
B.    RSS Mission.....	1
II. Introduction to BoxDrop’s Franchise System .....	2
A.    RSS Principles.....	2
B.    Overview of Services Provided to Franchisees .....	2
C.    Overview of Your Responsibilities .....	3
D.    Field Visits.....	4
III. Pre-opening Timetable and Obligations.....	5
A.    Introduction .....	5
B.    Pre-Opening Procedures .....	5
IV. Daily Operating Procedures .....	10
A.    Introduction .....	10
B.    Days and Hours of Operation .....	10
C.    Non-Competition and Non-Disclosure Documents .....	10
D.    Vendors .....	11
E.    Merchandizing Policy and Procedure Overview .....	11
F.    Audits and Inspections .....	12
G.    Suggested Price List for Bedding .....	12
H.    Managing and Administrative Procedures for Your Franchise.....	12
I.    Payment Procedures for Product Ordered from Us.....	17
J.    Customer Relations.....	17
K.    Signage Requirements.....	18
V.    Warranty, Damage, and Shortage Claims Procedures - Bedding.....	19
VI.    Warranty Damage and Shortage Claims Procedures - Furniture.....	23
VII.  Marketing and Advertising Procedures.....	28
A.    Franchisee Requirements .....	28
B.    Advertising Procedure .....	29
VIII. Standards of Operations.....	30
A.    Standards of Performance (SOP).....	30
B.    Moving Into Furniture.....	30

C.	Statistical Expectations .....	31
D.	Performance Improvement Plan (PIP) .....	32
E.	Rugged 300 Program.....	32
Appendix	.....	34
	Opening Order Packages (2 pages)	
	Business Manual (47 pages)	
	Advertising Manual (73 pages)	

## EXHIBIT H

### LIST OF FRANCHISEES AS OF DECEMBER 31, 2023

<b>NAME</b>	<b>LOCATION</b>	<b>PHONE</b>	<b>ADDRESS</b>
Phillip Burton	Rogersville, AL	256-206-0437	41 Market Square, Rogersville, AL 35652
Mark & Cari Ponders	Cullman, AL	256-614-5744	1633 2nd Ave NW, Cullman, AL, 35055
Greg Padgett	Dothan, AL	334-475-7633	1357 Fortner St, Dothan, AL 36301
Trent Sparks	Russellville, AL	256-502-3203	12220 South Highway 43, Russellville, AL 35653
Andy Thompson	Huntsville, AL	256-527-7833	2801 Newby Rd Suite A & B Huntsville, AL 35805
Jonathan Burton	Florence, AL	256-206-0437	2801 Mall Rd Suite 5, Florence, AL 35630
Dan Cunningham	Phoenix, AZ	623-824-5983	8552 N Dysart Rd Suite 200A, El Mirage, AZ 85335
Michael McGee	NW Tucson, AZ	520-775-5743	3982 N Oracle Rd, Tucson, AZ 85705
Gaspar Gonzalez	N Phoenix, AZ	480-249-3701	533 E Camelback Rd, Phoenix, AZ 85012
Brian Roberts	Tempe, AZ	801-247-4040	2111 S Industrial Park Ave #103, Tempe, AZ, 85282
Michael McGee	NE Tucson, AZ	520-977-5743	7419 E 22nd St, Tucson, AZ, 85710
Edward Manning	Sierra Vista, AZ	623-363-6006	4148 Industry Dr., Sierra Vista, AZ, 85635
Michael Davis	Beebe, AR	336-675-7081	2014 DeWitt Henry Dr, Beebe, AR 72012
Daniel Stephens	Batesville, AR	870-213-6700	660 Harrison St, Batesville, AR 72501
John Looper Lindie Looper	Stuttgart, AR	870-830-3480	1125 North Buerkle St, Stuttgart, AR 72160
Mays, Austin	Harrison, AR *	870-416-1147	1510 North Main Street, Harrison, AR, 72601
Joel & Aisha Buxton	Chula Vista, CA	256-595-7017	675 Palomar Street Suite D, Chula Vista, CA 91911
Delaina Black	Santa Clarita, CA	661-619-8118	24730 Avenue Tibbits 170, Santa Clarita, CA 91355
Tiffany Middleton	Janesville, CA	530-260-4600	770 Sunnyside Rd, Janesville, CA 96114
Dennis Shire	Santa Maria, CA	661-619-4098	1764 S Broadway, Santa Maria,

NAME	LOCATION	PHONE	ADDRESS
			CA 93454
Brenda Angulo	Visalia, CA	559-802-8141	4243 W Noble Ave, Visalia, CA, 93277
Simmons, Robert	El Cajon, CA *	951-310-8348	762 N Johnson Ave Suite 101, El Cajon, CA, 91901
Nevarez, Jennifer	Hayward, CA *	510-427-4892	27343 Industrial Blvd Unit D, Hayward, CA, 94545
Deonte Moore	Pueblo, CO	719-820-5524	1318 US-50, Pueblo, CO 81001
Jones, Michael	Denver Central, CO *	720-793-6287	3865 Grape St. Unit 2, Denver, CO, 80207
Rob Young	Montville, CT	203-751-4512	2020 Norwich Ave, Montville, CT 06353
David Munter	Sarasota, FL	406-210-0739	407 Interstate Blvd, Sarasota, FL 34240
Sandi Varn	Tallahassee, FL	850-545-7112	2855 Industrial Plaza Drive, Tallahassee, FL 32301
Mayerlyn Bencosme	Pompano Beach, FL	616-350-0597	1500 W Copans Rd Suite. A6, Pompano Beach, FL 33069
Juan Gil	Davie, FL	305-804-0048	10404 W State Rd 84, Davie, FL 33324
Stacy Boler	Port Richey, FL	727-279-0705	6822 Ridge Rd, Port Richey, FL 34668
Josh Reed	Pensacola, FL	615-525-1967	9100 W 98 Hwy Ste C, Pensacola, FL 32506
Amezcuca Poirier, Karla	North Tampa, FL *	813-993-9863	928 B - East 124th Ave, Tampa, FL, 33612
Rosemary Sercia	Stuart, FL	772-828-9190	4320 SE Federal Highway, Stuart, FL 34997
Robert Wert	Edgewater, FL	530-570-9341	2631 Guava Dr, Edgewater, FL 32141
Terry Powers	Orange Park, FL	304-541-7167	1580 Wells Rd Suite 9-10, Orange Park, FL 32073
Damon Weldon	Newton, County, GA	678-410-8297	6195 Hwy 287 NE Covington, GA 30014
Elijah Starr	Woodstock, GA	470-314-6441	9105 Hickory Flat Hwy Woodstock, GA 30188
Rachel Starr	Gainesville, GA	770-241-5997	2365 Monroe Dr Gainesville, GA 30507
Don Hodack	Atlanta, GA	404-824-4896	4611 Greer Circle, Suite F, Stone Mountain, GA 30083
Samual Stegall	Pooler, GA	843-441-4314	1055 Highway 80, Pooler, GA 31322
Shannon Adams	Fayetteville, GA	770-584-2714	353 Glynn St N, Fayetteville, GA 30214

<b>NAME</b>	<b>LOCATION</b>	<b>PHONE</b>	<b>ADDRESS</b>
Meeks, Stacey	Griffin, GA *	404-242-1797	1570 Williamson Zebulon Rd Suite A, Griffin, GA, 30224
Mays, Pete	Augusta, GA *	762-994-6715	3830 Washington Rd Suite 31, Martinez, GA, 30907
Donald MacBeth	Springfield, IL	217-361-1357	1633 N Dirksen Parkway, Springfield, IL 62702
Elisabeth Cook	Logan Square, IL	970-214-3674	1923 N Springfield Ave Chicago, IL 60651
Perry Reed	Bolingbrook, IL	708-770-7680	229 S Bolingbrook Dr Bolingbrook, IL 60440
Jana Carey	Huntley, IL	815-975-2052	10719 Wolf Dr, Huntley, IL 60142
Richard Giles	Albion, IL	812-480-0943	31 N 5 <sup>th</sup> St, Albion, IL 62806
Tina Sager	Salem, IL	618-322-1206	1445 Whittaker St, Salem, IL 62881
Knutson, Kip	Hoffman Estates, IL	218-242-4281	1756 W Algonquin Rd, Hoffman Estates, IL 60192
Justin Miles	Scottsburg, IN	814-521-5930	750 N Gardner St Scottsburg, IN 47170
Kayla Sager	Kokomo, IN	317-410-2731	1313 South Home Avenue, Kokomo, IN 46902
Billy Adams	Bloomington, IN	405-824-0901	5231 S Old St Rd 37, Bloomington, IN 47401
Chad Brinson	Lawrenceburg, IN	513-678-5368	359 W Rads Pkwy #149, Lawrenceburg, IN 47025
Patrick Peyton	Princeton, IN	812-664-4430	108 N 1 <sup>st</sup> Ave, Princeton, IN 47670
Joel Bergeson	Dubuque, IA	608-347-4685	678 Ventral Ave Dubuque, IA 52001
Hany Mishrgy	Cedar Rapids, IA	608-320-0975	1146 Blairs Ferry Rd NE, Cedar Rapids, IA 52403
Doug Workman	Waterloo, IA	661-496-8934	1209 Flammang Dr #5, Waterloo, IA 50702
Asaad Beshish	Iowa City, IA	608-886-8854	1210 S. Gilbert St. Suite 105, Iowa City, IA 52240
Decker, Aaron	Davenport, IA *	563-293-0933	8450 N Fairmount St Unit 101, Davenport, IA, 52806
Jeremiah Weatherhead	Emporia, KS	620-794-4287	1122 Commercial Dr Emporia, KS 66801
Nolan Daniel Abernathy	Manhattan, KS	615-603-6910	8833 E Highway 24, Manhattan, KS 66502
Bob Howard	Covington, KY	314-974-9500	4337 Winston Ave Covington, KY 41015
Nathan Shemwell	Henderson, KY	618-534-4033	939 North Green St

<b>NAME</b>	<b>LOCATION</b>	<b>PHONE</b>	<b>ADDRESS</b>
			Henderson, KY 42420
Tim Acree	Bardstown, KY	270-849-5056	1000 Granite Dr Bardstown, KY 40004
Jesse Fraley	Louisville, KY	502-802-6702	10798 Dixie Highway, Louisville, KY 40272
Samantha Simmons	Grayson, KY	606-315-5826	130 S Hord St, Grayson, KY 41143
Tyler Smith	Leitchfield, KY	931-644-2926	589 Commerce Dr, Leitchfield, KY 42754
Brian Young	Maysville, KY	606-407-9200	715 US 68 Suite A, Maysville, KY 41056
Hill, Jonathan	Somerset, KY *	606-492-0855	370 S Hwy 27 Suite #18, Somerset, KY, 42501
Smith, Tyler & Kayla	Franklin, KY *	931-644-2926	500 B N Main Street, Franklin, KY, 42134
Corey Tullier	Zachary, LA	225-572-9059	4800 LA-19 Zachary, LA 70791
William Bryant	Marksville, LA	601-259-2384	264 Tunica Dr E Suite 4 East Marksville, LA 71351
Kevin Arceneaux	New Iberia, LA	337-380-3514	703 US-90 Frontage Rd, New Iberia, LA 70560
Joe Brewer	Bosier City, LA	903-306-6117	1100 Airline Dr, Bosier City, LA 71112
Adams, Derrick (LAK)	Lake Charles, LA *	337-377-0886	542 Theriot Rd Suite D, Lake Charles, LA, 70611
Mike Giovingo	Kenner, LA	504-296-6353	2424 Williams Blvd Suite P, Kenner, LA 70062
Trammell, Mike	Lafayette, LA *	337-780-7076	3221 Highway 90 E, Broussard, LA, 70518
Sean Stephan	Worcester, MA	508-846-2630	52 Westview Ave, Millbury, MA 01527
Gugino, Michael	Norton, MA *	508-944-2466	324 E Main St, Norton, MA, 2766
Chris Benhoff	Baltimore, MD	410-982-2003	2021 Lord Baltimore Drive, Windsor Mill, MD 21244
Devin Deeds	Stevensville, MI	269-470-2893	2632 W John Beers Rd Stevensville, MI 49127
Tiana Collins	Standish, MI	989-359-1536	128 S Main St, Standish, MI 48658
Scott Glascott	Scottville, MI	616-889-2626	707 US-10, Scottville, MI 49454
Timothy Richmond	Saline, MI	734-646-6001	10645 W Michigan Ave, Saline, MI 48176
Colby Joubert	Lapeer, MI	810-624-7099	803 East St, Lapeer, MI

<b>NAME</b>	<b>LOCATION</b>	<b>PHONE</b>	<b>ADDRESS</b>
Taylor Gilbert	Rochester, MN	715-216-4427	1207 2nd Ave NW Rochester, MN 55901
Barbarawi, Anan	Burnsville, MN *	651-890-9694	1426 Cliff Rd. East, Burnsville, MN, 55337
Carlee Morrison	Forest, MS	501-765-2317	109 W 3rd Street Forest, MS 39054
Martha Chandler	Senatobia, MS	662-209-7293	130 Norfleet Dr Senatobia, MS 38668
Adelbert Adcock	Grenada, MS	601-259-5301	357 Thomas St, Grenada, MS 38901
Joseph Dykes	McComb, MS	601-551-7230	119 Presley Blvd Suite A, McComb, MS 39648
Michael King	Vicksburg, MS	601-672-3645	1990 S Frontage Rd, Vicksburg, MS 39180
Jennifer Lott	Gulfport, MS	228-760-2383	15335-C Dedaux Rd, Gulfport, MS 39503
Mike Giovingo Anne Givovingo	Biloxi, MS	228-910-1922	893 Vee St, Biloxi, MS 39532
Shannon Talor Strain	Brookhaven, MS	601-320-9180	519 W Monticello St, Brookhaven, MS 39601
Choat Cale	Brandon, MS	256-415-0925	114 E Business Park, Brandon, MS 39042
Randall Herion	Bolivar, MO	417-818-8974	620 E Buffalo St Bolivar, MO 65613
Michael Stevens	Cuba, MO	870-213-5970	7009 Old 66 Cuba, MO 65453
Justin Heroin	Osage Beach, MO	417-619-5738	5515 Osage Beach Parkway, Osage Beach, MO 65065
Randall Herion	Clinton, MO	417-818-8974	1200 E Ohio St, Clinton, MO 64735
Randall Herion	Ozark, MO	417-531-2264 417-818-8974	1746 S 20 <sup>th</sup> St #1746, Ozark, MO 65724
Stuart Sherman	St. Peters, MO	314-680-3202	6664 Mexico Rd, St. Peters, MO 63376
William Dakota Welty	Morehouse, MO	573-421-4618	110 East Front St, Morehouse, MO 63868
Dawn Marentette	Park Hills, MO	843-245-1233	526 E Main St, Park Hills, MO 63601
Moeller, Bill (MAR)	Marshall, MO *	816-935-8757	899 W College St, Marshall, MO, 65340
Frank, Christine	St. Robert, MO *	573-528-5520	14980 Z Highway, Saint Robert, MO, 65584
Moriah Mills	Great Falls, MT	406-609-9326	300 Smelter Ave NE

<b>NAME</b>	<b>LOCATION</b>	<b>PHONE</b>	<b>ADDRESS</b>
			Great Falls, MT 59404
Nathan Armstead	Norfolk, NE	715-939-0323	1909 Vicki Lane Ste. 105 Norfolk, NE 68701
Paul Krause	Asheville, NC	336-710-8899	2410 Highway 70 Swannanoa, NC 28778
Walter Mills	Roxboro, NC	919-210-6526	711 C N Main St Roxboro, NC 27573
Thompson, Curtis	Rocky Mount, NC *	252-969-2755	1111 South Wesleyan Blvd, Rocky Mount, NC, 27803
Ben Harris	Henderson, NC	919-889-2094	216 Raleigh Rd, Henderson, NC 27536
David Marrow	Durham, NC	919-801-5004	4841-A Industry Ln, Durham, NC 27713
David Mitchell	Huntersville, NC	847-769-3990	7310 Swansea Lane, NC 28031
Mitchell, David	Concord, NC	847-513-1839	540 Pitts School Road NW Suite A, Concord, NC, 28027
Jonathan Starr	Minot, ND	701-389-1827	300 30th Avenue NW Minot, ND 56703
Sharp, Jonnie	Grand Forks, ND *	920-609-1941	3150 Gateway Dr, Grand Forks, ND, 58203
Brixner, Blaine	Aztec, NM *	505-947-6888	1409 W Aztec Blvd Unit 1 , Aztec, NM, 87410
Aaron Powers	Seneca Falls, NY	315-323-8758	2147 US-20, Seneca Falls, NY 13148
Drew Smith	Huber Heights, OH	937-825-0235	4642 Brandt Pike Dayton, OH 45424
Gara Hibbs	Marietta, OH	304-483-7626	134 B Gross St, Marietta, OH 45750
Lucas Case	Springfield, OH	937-823-6775	1001 N Bechtle Ave, Springfield, OH 45504
Marty Sorah	Bartlesville, OK	918-928-8479	427 NE Cholwell Ave, Bartlesville, OK 74006
Steven Hollis	Pryor, OK	918-373-5518	409 N Maple St, Pryor, OK 74361
Tim Buster	Eugene, OR	541-741-2109	1939 Laura St., Springfield, OR 97477
Floyd Jones	Pendleton, OR	602-300-0422	604 SW Dorion Ave Pendleton, OR 97801
Amber Hadden	Canby, OR	601-278-8062	138 S Hazeldell Way, Canby, OR 97013
Samuel Avendano	McMinnville, OR	971-237-7274	2719 NE Bunn Road, McMinnville, OR 97128
Ehli, Lucas	Hillsboro, OR	503-705-1909	5405 SE Alexander St Suite I,

NAME	LOCATION	PHONE	ADDRESS
			Hillsboro, OR 97123
Curtis Bradley	Somerset, PA	661-205-6270	257 Berlin Plank Rd, Somerset, PA 15501
Jonathan Coffey	Titusville, PA	317-869-3018	120 Cherry Place, Titusville, PA 16354
Terry Abernethy	Charleston, SC	843-819-2365	3215 Fortune Dr North Charleston, SC 29418
Timothy Grandy	Spartanburg, SC	864-823-7692	8705 Asheville Highway, Spartanburg, SC 29303
Jennifer Parker	Easley, SC	864-616-9348	1017 Powdersville Rd, Easley, SC, 29642
Killman, Jackson	Chapin, SC	803-360-3257	403 Chapin Rd, Chapin, SC, 29036
Burch, Daniel	Columbia, SC *	803-587-2339	1971 Legrand Rd Suite 4, Columbia, SC, 29223
Jonathan Casner	Paris, TN	270-752-3053	1730 Fairgrounds Rd, Paris, TN 38242
Leeth, Adam	Dyersburg, TN *	615-483-1601	1687 hwy 51 N, Dyersburg, TN, 38024
Kimberly Davis	Crossville, TN	931-248-3509	99 Cumberland Plaza, Crossville, TN 38572
Anderson Flener	Union City, TN	270-977-1054	1411 South First Street, Union City, TN 38261
Joel Redd	Lawrenceburg, TN	417-726-2037	1250 1 <sup>st</sup> Ave, Lawrenceburg, TN 38464
Tara & Randy Domingue	Savannah, TN	931-252-8840	255 Wayne Rd, Savannah, TN 38372
Trueheart, Patrick & Shawan	Shelbyville, TN *	615-775-3184	118 Public Square E, Shelbyville, TN, 37160
Bass, Jordan	Columbia, TN *	931-797-3322	1221 N Commerce St, Columbia, TN, 38401
Louie Esparza	Kyle, TX	512-667-4699	1151 Bunton Creek Kyle, TX 78640
Matthew Menger	Victoria, TX	323-336-7000	3708 N Navarro, Suite E Victoria, TX 77901
Mike Davis	Lufkin, TX	469-964-6554	210 East Burke Ave Lufkin, TX 75902
Murlyn Keller	Plainview, TX	806-729-9466	1603 W 5th St Plainview, TX 79072
Rudy Campos	Pearsall, TX	210-392-3593	1705 W Comal St, Pearsall, TX 78061
Kirk Housewright	Celina, TX	214-208-7665	717 E Pecan St, Celina, TX 75009
Ralph Soto	Weslaco, TX	956-444-2790	665 E Expressway 83, Weslaco,

NAME	LOCATION	PHONE	ADDRESS
			TX 78596
Kirk Housewright	Bastrop, TX	806-790-7413	704 State Hwy 71 W, Bastrop, TX 78602
Housewright, Kirk (HIG) & Haines, Gary	Highland Village, TX *	972-989-7582	1940 FM 407 Unit 108, Highland Village, TX, 75077
Housewright, Kirk (HUD) & Simmons, Todd	Hudson Oaks, TX *	682-404-7730	2602 Fort Worth Highway, Suite 302, Weatherford, TX, 76087
Nevill, Patrick	San Angelo, TX *	361-793-7480	6566 South Highway 67 US-67 Suite#3014, San Angelo, TX, 76904
Feely, Amanda & Fowler, Alisha	Taylor, TX *	830-237-8549	102 Talbot St, Taylor, TX, 76574
Moore, Jerry	Spring, TX *	608-279-3538	18502 Kuykendahl Road, Spring, TX, 77379
Thomas, Charles	Cedar City, UT *	435-477-2348	1579 N Main St Suite 109, Cedar City, UT, 84721
Peterson, Hailey & Kaden (SAN)	Sandy, UT *	801-797-3377	6778 South Navigator Dr Suite B, West Jordan, UT, 84084
Matthew, Wilmoth	South Boston, VA	919-451-0012	524 N. Main St., South Boston VA 24592
Tim Fox	Abington, VA	304-237-7449	783 E Main St Abingdon, VA 24210
Matthew LaFafave	Shawano, WI	920-321-4626	325 S Main St, Shawano, WI 54116
Matty, Dan (WAU)	Waupaca, WI *	715-600-2040	N3063 County Rd QQ , Waupaca, WI, 54981
Hanna, Mike (OCO)	Oconomowoc, WI *	262-894-3392	1083 Summit Ave, Oconomowoc, WI, 53066
Josh Haynes	Parkersburg, WV	304-893-3035	2107 Pike Street, Suite 8, Parkersburg, WV 26101
Josh Haynes	Ripley, WV	304-545-9523	91 Seneca Dr Ripley, WV 25271
Haynes, Josh (CLA)	Clarksburg, WV	304-610-7064	1201 S Chestnut St, Clarksburg, WV, 26301
Matthew Marks	Ronceverte, WV	304-993-2313	252 Red Oaks Shopping Center Ronceverte, WV 24970
Harcourt, John & Brandy	Casper, WY *	307-277-5475	4801 E 2nd St , Casper, WY, 82609
Cannon, Aaron & Kelly	Gillette, WY *	919-671-4591	1604 E Highway #14-16 Suite B, Gillette, WY, 82716

**EXHIBIT I**

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN THE LAST FISCAL YEAR

Ruth Strain	Cullman County, AL	256-616-1378	1633 2 <sup>nd</sup> Ave NW, Cullman, AL 35055
Kyle Bertram	Rainbow City, AL	205-937-2563	528 W Grand Ave, Rainbow City, AL 35906
Fred Mansfield	Mountain Home, AR	870-455-2233	307 & 309 Hwy 62E, Mountain Home, AR 72653
Keith Graham	Russellville, AR	936-545-7033	1610 S Arkansas Ave Suite #2 & #3, Russellville, AR 72801
Marty Tubbs & Russell Graham	Blytheville, AR	870-740-4594	941 E Main St Suite B, Blytheville, AR 72315
Damon Weldon	Bellflower, CA		9137 Somerset Blvd, Bellflower, CA 90706
Phillip Booker	San Bernardino, CA	951-906-4696	200 E. Highland Ave, San Bernardino, CA 92404
Carl Loy	Parker, CO	719-466-3911	10505 S Progress Way Suite #103, Parker, CO 80134
Carly Sease	Colorado Springs, CO	406-850-1382	1077 Elkton Dr, Colorado Springs, CO 80907
Nicole Sherman	North Tampa, FL	813-993-9863	13765 N Nebraska Ave, Tampa, FL 33613
Armando Pozo	Gainesville, FL	352-871-0711	229 Melrose Landing Dr, Hawthorne, FL 32640
Franklin LaSalle	Clermont, FL	407-791-5862	16215 State Road 50, STE 303, Clermont, FL 34711
Ryan Blankenship	Port Charlotte, FL	661-281-5445	24075 Peachland Blvd, Port Charlotte, FL 33952
Damon Weldon & Bruce Verge	Athens, GA	678-410-8297	6255 Hwy 278 NE, Covington, GA 30014
Wesley Benton	Brunswick, GA	912-399-4027	90 Commerce Dr Unit 114, Brunswick, GA 31525
Chad Dewey	Davenport, IA	719-229-1060	8450 N Fairmount St Unit 101, Davenport, IA 52806
Cameron Sweatt	Pontiac, IL	309-303-1601	14 Vermillion Plaza Unit 14, Pontiac, IL 61764
Richard Giles	Albion, IL	812-480-0943	31 N 5th St, Albion, IL 62806
Rachel Davis	Columbus, IN	812-216-7480	1508 Central Ave, Columbus, IN 47201
Anthony Rabatie	Lake Charles, LA	337-660-4390	542 Theriot Rd, Lake Charles, LA 70611
Eric Ducote	Reserve, LA	225-685-9098	3919 Airline Hwy, Reserve, LA

			70084
Eric Ducote	Houma, LA	318-344-5309	1620 Prospect St Houma, LA 70363
Michael Brown	Fenton, MI	810-423-3758	14280 Fenton Road, Fenton, MI 48430
William Dakota Welty	Morehouse, MO	573-421-4618	110 East Front St, Morehouse, MO 63868
Dean Phipps	Magee, MS	601-433-0796	1700 Hwy 49, Magee, MS 39111
Gregory Hicks	Lucedale, MS	601-508-3516	12102 Old 63 South Suite 400, Lucedale, MS 39452
Effie Dodge	Newport, ME	207-877-4244	594 Benton Ave, Winslow, ME 04901
Thomas Batts	Rocky Mount, NC	252-904-8700	1111 S Wesleyan Blvd, Rocky Mount, NC 27803
Omar Alwahishi	Sanford, NC	919-352-6147	1807 Hawkins Ave, Sanford, NC 27330
Austin Meade	Northfield, OH	330-524-9640	114 E Aurora Rd, Northfield, OH 44067
Dakota Brooks	Clarksville, TN	270-820-9729	1313 Fort Campbell Blvd, Clarksville, TN 37040
Brett Clair	Cordova, TN	972-822-7416	670 N Germantown Pwky St. 2, Cordova, TN, 38018
Adair, Marie & Sean	Murfreesboro, TN *	615-803-4490	111 E Lytle St Murfreesboro, TN 37130
Gary Wright	Mt Pleasant, TX	717-877-9591	1779 N. Edwards Ave, Mt. Pleasant, TX 75455
Justice Ramirez	Pearland, TX	832-980-7502	1710 Lone Eagle Cir, Crosby, TX 77532
Jesse Garcia	Paris, TX	214-718-2234	1117 Bayshore Dr Garland, TX 75040

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

**EXHIBIT J**

STATE ADDENDA AND AGREEMENT RIDERS

See attached.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO THE EXECUTION OF AN AGREEMENT.

Neither the franchisor, nor any person or franchise broker identified in Item 2 of this Disclosure Document is subject to any currently effective order or 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 the person from membership in the association or exchange.

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

The Franchise Agreement provided for termination upon bankruptcy. A provisions in a Franchise Agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (Title 11, U.S. Code Section 101 et seq.).

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

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

The Franchise Agreement requires that all disputes between us and you be handled in litigation which will occur in Franklin County, Ohio. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a Disclosure Document approved by the Commissioner of Corporations before the Franchisor asks the Franchisee to consider a material modification of its franchise agreement. You are entitled to a summary of any negotiated changes for a California franchise within the past 12 months immediately before your sale.

The Franchise Agreement requires Franchisee to sign a general release as a condition of renewal and transfer. 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).

In accordance with CAL. CONST., art. 15 Section 1, Item 6 of the Franchise Disclosure Document and the Franchise Agreement are amended to indicate that any interest rate charged on past due amounts will be the highest contract rate of interest allowed by California law or the rate specified in the Franchise Agreement, whichever is less. The maximum interest rate permissible in California is 10% annually.

Item 5 of the Franchise Disclosure Document is hereby modified by adding the following to the end of the section:

“The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees and payments (including payment for the Initial Inventory Package) from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. The franchisor will have completed its pre-opening assistance obligations once it has completed each item listed in Item 11 under the “Pre-Opening Assistance” heading. Your Initial Franchise Fee and the payment for the Initial Inventory Package of Products shall be due and payable to the franchisor upon the grand opening of your BoxDrop Store.”

Our website is <https://retailservicesystems.com/boxdrop/>

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINS 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).

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse’s marital and personal assets at risk, perhaps including your house, if your franchise fails.

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

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s

investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF ILLINOIS**

Item 17 of this Disclosure Document is supplemented by the addition of the following paragraphs at the end of the chart:

Illinois law governs the Franchise Agreement.

The conditions under which your franchise may be terminated or not renewed may be affected by Illinois law, 815 ILCS §§ 705/19 and 705/20. Provisions regarding jurisdiction and venue and choice of law may be affected by Illinois law, 815 ILCS §§ 705/4 and 705/41.

In conformance with Section 4 of the Illinois Franchise Disclosure Act of 1987, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

In conformance with Section 41 of the Illinois Franchise Disclosure Act of 1987, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF INDIANA**

Nothing in this Disclosure Document or the Franchise Agreement is intended to be contrary to the provisions of the “Deceptive Franchise Practices” law of Indiana, which is contained in Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 through 7 as amended (“Indiana Franchise Practices Law”). In the event of any conflict between any provision of the Franchise Agreement and the Indiana Franchise Practices Law the Indiana law will control, but in that case, the provision of the franchise agreement affected will be limited only to the extent necessary to bring it within the requirement of the law and, to that extent, that provision shall be deemed to have been omitted from the Franchise Agreement as of the date of execution of the Franchise Agreement. This will not affect the validity of any remaining portion of the Franchise Agreement.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF MARYLAND**

ITEM 5 of the Disclosure Document is amended to include the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

ITEM 11 of the Disclosure Document is amended to include the following:

“In the event we establish a National Marketing Fund, you may request an accounting of the advertising expenditures made by us from the National Marketing Fund. Upon written notification that you are requesting such information, you will be supplied with the most recent annual unaudited statement of collections and expenses of the National Marketing Fund.”

ITEM 17 of the Disclosure Document is amended as follows:

Items 17 (c) and (m) are modified to state that any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17(h) is modified to state that the agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

Item 17(v) is modified to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF MINNESOTA**

ITEM 13 of the Disclosure Document is amended to add the following:

Under Minn. Stat. 80c.12 Subd. 1(g), we must indemnify franchisees located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of our trademark infringes the trademark rights of the third party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of the Franchise Agreement and, as a condition to indemnification, you must provide prompt notice to us of any such claim and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

ITEM 17 of the Disclosure Document is amended as follows:

Item 17(b) is amended to add that we will comply with Minn. Stat. 80C.14, which requires that we give you 180 days' notice for non-renewal of the franchise except in specified circumstances.

Item 17(f) is amended to add that we will comply with Minn. Stat. 80C.14, which requires that we give you 90 days' notice of termination and you will have 60 days to cure your default.

Item 17(c) and (m) are modified to state to state that any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under Minn. Stat. §80C and we will not unreasonably withhold our consent to a transfer.

Item 17(v) is amended to state that Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of the State of Minnesota. Nothing in this Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights to any procedure, forum or remedies provided for by the laws of Minnesota.

Item 17(w) is amended to state that Ohio law applies unless Minnesota state law supersedes this provision. Nothing in this Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

Item 17 is amended to add the following: Minn. Stat. Sec. 80C.21 and Minn. Rule 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. Minn. Stat. Sec. 80C.17, Subd 5, states that any and all claims arising out of or relating to this Agreement or our relationship will be barred unless a legal proceeding is commenced within three (3) years from when the cause of

action accrued. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Further, you cannot consent to us obtaining injunctive relief; but, we may seek injunctive relief.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF NEW YORK**

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

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 to be 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**”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

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

6. Franchise Questionnaires and Acknowledgements — No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts – Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure

Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF NORTH DAKOTA**

The State of North Dakota has determined that the following types of provisions are deemed to be contrary to North Dakota law:

- (a) Covenants not to compete are generally considered unenforceable in the State North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Investment Law.
- (b) A provision that designates jurisdiction or venue, or requires Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota;
- (c) A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;
- (d) A provision requiring that the laws of a state other than North Dakota will apply;
- (e) A provision calling for the waiver by a Franchisee of the right to trial by jury;
- (f) A provision requiring the Franchisee to waive exemplary and punitive damages;
- (g) A provision requiring a Franchisee to sign a general release upon renewal of the Franchise Agreement;
- (h) A provision restricting the time in which a Franchisee may make a claim to less than the applicable North Dakota statute of limitations;
- (i) A provision requiring a Franchisee to pay all costs and expenses incurred by the Franchisor in enforcing the Franchise Agreement.

Such provisions, if applicable, are amended by the North Dakota Addendum to the Franchise Agreement.

Item 5 of the Franchise Disclosure Document is hereby modified by adding the following to the end of the section entitled “Initial Franchise Fee”:

“The North Dakota Securities Department required us to defer payment of the Initial Franchise Fee owed by you to us until we has completed our pre-opening obligations under the Franchise Agreement, as laid out in Item 11 below. Your Initial Franchise Fee shall be due and payable to us upon the grand opening of your BoxDrop Store.”

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF RHODE ISLAND**

ITEM 17 of the Disclosure Document is amended as follows:

Item 17(v) and (w) are amended to add that any provision in the Franchise Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for BoxDrop LLC for use in the Commonwealth of Virginia shall be amended as follows:

ITEM 17(h) of the Disclosure Document is amended to add the following:

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

**ADDENDUM TO THE  
BOXDROP LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF WISCONSIN**

ITEM 17 of the disclosure document is amended to add the following:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07, may affect the termination provision of the Franchise Agreement.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
BOXDROP FRANCHISE AGREEMENT**

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

This Addendum (“Addendum”) to the Franchise Agreement (“Agreement”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Agreement. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 4.A of the Agreement is hereby amended by adding the following to the end of such section:

“The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees and payments from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. We will have been deemed to have completed our pre-opening assistance obligations once we have designated your Territory, provided you access to the Operations Manual, approve your Approved Site, provide the Initial Training Program (if required), and sell you the Initial Inventory Package of Products. Upon completion of the foregoing items your payment for the Initial Inventory Package of Products shall be due and payable to us upon the grand opening of your BoxDrop Store. You shall pay us for the order of such Products within three (3) business days of your grand opening. In the event your BoxDrop Store does not open, for any reason, you must return, or make available for pick-up, all Product inventory received in the Initial Inventory Package within three (3) business days of written request from us. You acknowledge that you will not own title to the Products within the Initial Inventory Package of Products until you have paid us for such inventory.”

3. California Business and Professions Code Sections 20000 through 20043, the California Franchise Relations Act, provide rights to the Franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

4. The Franchise Agreement is amended to state that any interest rate charged on past due amounts will be the highest contract rate of interest allowed by California law or the rate specified in the Franchise Agreement, whichever is less.

5. Capitalized Terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Franchise Agreement.

6. Effect of Addendum. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California Franchise Relations Act applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum (“Addendum”) to the Franchise Agreement (“Agreement”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Agreement. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 16.F. **Interpretation**, is amended to add the following to the end of such section:

“Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.”

3. Section 18.A, **Governing Law**, and Section 18.B, **Submission to Jurisdiction**, are amended to add each of the following:

“Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration may take place outside of Illinois.

Section 19 of the Illinois Franchise Disclosure Act sets forth the conditions and notices requirements for termination of a franchise agreement.

Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement, along with the compensation requirements.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have

the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE DEVELOPMENT RIGHTS AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum (“Addendum”) to the Development Rights Agreement (“Agreement”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

4. The provisions of this Addendum form an integral part of, and are incorporated into, the Agreement. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

5. Section 14. **Entire Agreement; Construction**, is amended to add the following to the end of such section:

“Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration may take place outside of Illinois.

Section 19 of the Illinois Franchise Disclosure Act sets forth the conditions and notices requirements for termination of a franchise agreement.

Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement, along with the compensation requirements.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

provision supersedes any other term of any document executed in connection with the franchise.”

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**DEVELOPER**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement. This Addendum is being signed because (a) Franchisee is a resident of the State of Maryland, and/or (b) the Franchised Business will be located or operated in Maryland.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Section 1.C, **Best Efforts; Representations and Warranties**, is amended by adding the following language at the end:

“These representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

2. Section 4.A, **Initial Franchise Fee**, is amended by adding the following language:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

3. Section 3.C (6), **Development of the Store**, is amended by adding the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

4. Section 12.C, **Pre-Conditions for Approval for Transfer**, and Section 13.A., **Your right to Acquire Successor Franchises** are amended by adding the following language:

“However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.”

5. Section 14.B(7), **Termination By Us**, is amended by adding the following language:

“(Termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.)”

6. Section 18.B, **Submission to Jurisdiction**, are amended to add the following:

“A franchisee in Maryland may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

7. Section 18.E., **Limitations**, is amended to add the following:

“However, the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.”

8. Section 20., **Acknowledgements**, is hereby deleted in its entirety and replaced with the following:

“No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

9. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Agreement. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement. This Addendum is being signed because (a) the Business that Franchisee will operate under the Agreement will be located in Minnesota; and/or (b) any of the franchise offering or sales activity with respect to the Agreement occurred in Minnesota.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 1.C., **Best Efforts; Representations and Warranties**, is amended by adding the following language at the end:

“Pursuant to Minnesota Rule 2860.4400J, the foregoing acknowledgments contained in this section shall not be construed as a waiver of my rights.”

3. Section 6.G., **Notification and Defense of Claims**, is amended by adding the following language:

“Under Minn. Stat. 80c.12 Subd. 1(g), we must indemnify you against liability to third parties resulting from claims by third parties that your use of our trademark infringes the trademark rights of the third party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of this Agreement and, as a condition to indemnification, you must provide prompt notice to us of any such claim and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

4. Section 13.A., **Your right to Acquire Successor Franchises**, and Section 13.B., **Grant of Successor Franchise**, are amended by adding the following language:

“Unless the failure to renew your license is for good cause as defined in Minnesota Statutes Section 80C.14, Subdivision 3, Paragraph (b), and you have failed to

correct the reasons for termination as required by Subdivision 3, we may not fail to renew your license unless:

(a) You have been given written notice of the intention not to renew at least 180 days in advance of the expiration of this Agreement; and

(b) You has been given an opportunity to operate the Business over a sufficient period of time to enable you to recover the fair market value of the Business as a going concern, as determined and measured from the date of the failure to renew. We may not refuse to renew your license if our refusal is for the purpose of converting the Business premises, or the franchise, to an operation that will be owned by us for our own account.

Any release required by us as a condition of renewal of the franchise will not apply to the extent that such release is specifically prohibited by the Minnesota Franchise Law.”

5. Sections 14.B, **Termination By Us**, and Section 14.C., **Terminations by Us – Thirty Days’ Notice**, are hereby amended by adding the following language:

“Pursuant to Minn. Stat. Sec. 80C.14, Subdivisions 4 & 5, no person may terminate or cancel a franchise unless (i) that person has given notice setting forth all the reasons for the termination or cancellation at least 90 days in advance of termination or cancellation, and (ii) the recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice; except that the notice is effective immediately upon receipt where the alleged grounds for termination or cancellation are:

- (a) voluntary abandonment of the franchise relationship by you;
- (b) the conviction of you of an offense that is directly related to the business conducted pursuant to the franchise; or
- (c) failure to cure a default under this Agreement which materially impairs the goodwill associated with our trade name, trademark, service mark, logotype or other commercial symbol after you have received written notice to cure at least twenty-four (24) hours in advance thereof.

6. Section 12.C., **Pre-Conditions for Approval for Transfer** is amended by adding the following language:

“However, any release required by us as a condition of renewal of the franchise will not apply to the extent that such release is specifically prohibited by the Minnesota Franchise Law.”

7. Section 18.C., **Enforcement of Agreement**, is amended by adding the following language:

“Under Minnesota law, we may seek a restraining order, injunction and such other equitable relief as may be appropriate, but we are not automatically entitled to such relief and you have not automatically consented to such relief.”

8. Section 18.A, **Governing Law**, and Section 18.B, **Submission to Jurisdiction**, are amended to add the following:

“Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, and subject to your arbitration obligations, this section shall not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota and the right to bring a cause of action within three years after the cause of action accrues. You cannot be required to consent to the waiver of a jury trial.”

9. Section 18.E, **Limitations**, is amended to add the following:

“Regardless of the foregoing, pursuant to Minnesota Statutes Section 80C.17, Subd 5, any and all claims arising out of or relating to this Agreement or our relationship will be barred unless a legal proceeding is commenced within three (3) years from when the cause of action accrued.”

10. Section 20, **Acknowledgments**, is amended to add the following:

“(D) No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Agreement. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 12.A, **Transfer or Delegation by Us**, is amended to add the following

“We may transfer or assign this Agreement to only an assignee who is willing and able to assume the obligations of Franchisor.”

3. Section 12.C, **Pre-Conditions for Approval of a Transfer**, and Section 13.A, **Your Right to Acquire Successor Franchises**, are amended to add the following:

“All rights enjoyed by you 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 nonwaiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied.”

4. Section 14.A, **Termination by You**, is amended to add the following

“Franchisee may terminate the Franchise Agreement on any grounds available to Franchisee pursuant to applicable law.”

5. Section 15.C, **Indemnification**, is amended to add the following:

“Notwithstanding anything contained herein to the contrary, you shall not be required to indemnify for any claims arising out of our breach of this Agreement or other civil wrongs by us.”

6. Section 18.A, **Governing law**, is amended to add the following:

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

7. Section 18.E., **Limitation of Claims**, is amended to add the following:

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

8. **Capitalized Terms**. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Franchise Agreement.

9. **Effect of Addendum**. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the General Business Law of the State of New York applicable to the provision are met independent of this Rider. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the franchised Business that Franchisee will operate under the Agreement was made in the State of North Dakota, and/or (b) Franchisee is a resident of North Dakota and the franchised Business will be located in North Dakota.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 4.A., **Initial Franchise Fee**, is hereby deleted in its entirety and replaced with the following:

“In consideration for the initial grant of the Franchise, you agree to pay us a fee of Two Thousand Five Hundred Dollars (\$2,500) (the “**Initial Franchise Fee**”). The North Dakota Securities Division required us to defer payment of the Initial Franchise Fee owed by you to us until we have completed our pre-opening obligations under this Agreement and you have opened your Store for business. Therefore, the Initial Franchise Fee is due and payable to us immediately upon our completion of all our pre-opening obligations to you, which such pre-opening obligations shall be limited to the following: (i) approving the location of your Store and designating a Territory for your Store, (ii) provide you with a copy of, or online access to, the Operations Manual, (iii) provide you with access to the initial training program related to the operation of your Store, and (iv) sell to you the initial inventory package which you purchase from us. The Initial Franchise Fee is fully earned by us when we complete the foregoing enumerated activities and is nonrefundable.”

3. Section 14.E., **Competitive Business After Term or Expiration**, is amended by adding the following:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota pursuant to Section 9-08-06 of the North Dakota Century Code.”

4. Section 12.C., **Pre-Conditions for Approval for Transfer**, and Section 13.A., **Your right to Acquire Successor Franchises**, are amended by adding the following:

“Franchise Agreements that require the franchisee to sign a general release upon renewal or transfer are considered unfair, unjust and inequitable and are hereby

deleted in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law.”

5. Section 18.A, **Governing Law**, and Section 18.B, **Submission to Jurisdiction**, are amended to add the following:

“Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, this Agreement will be governed by the laws of the state of North Dakota.”

6. Section 18.C., **Enforcement of Agreement**, is amended by adding the following language:

“If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply.”

7. Section 18.D., **Waiver of Punitive Damages**, is amended by adding the following:

“If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply.”

8. Section 18.E., **Limitations**, is amended to add the following:

“If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply.”

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that Franchisee will operate under the Agreement was made in the State of Rhode Island, and/or (b) Franchisee is a resident of Rhode Island and the Franchised Business will be located in Rhode Island.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 18.A, **Governing Law**, and Section 18.B, **Submission to Jurisdiction**, are amended to add the following:

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

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that Franchisee will operate under the Agreement was made in the Commonwealth of Virginia, and/or (b) Franchisee is a resident of Virginia and the Franchised Business will be located in Virginia.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. The following shall be added as a new Section 21 to the Agreement: “**Virginia Retail Franchising Act**”:

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

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

This Addendum to the Franchise Agreement (“Addendum”) is entered to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between **BOXDROP, LLC** (“we”, “us” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the “Agreement”) and the parties wish to amend the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that Franchisee will operate under the Agreement was made in the State of Wisconsin, (b) Franchisee is a resident of Wisconsin, and/or (c) the Franchised Business will be located or operated in the State of Wisconsin.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Notwithstanding anything that may be contained in the body of the Agreement to the contrary Sections 14.B, **Termination By Us**, and Section 14.C., **Terminations by Us – Thirty Days’ Notice**, of the Agreement is extended as follows:

“For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days’ prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.”

3. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07, will supersede any conflicting terms of the Franchise Agreement.

[SIGNATURE PAGE TO FOLLOW]

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**BOXDROP, LLC**

**FRANCHISEE**

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

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

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

**EXHIBIT K**

FORM OF RELEASE AGREEMENT

**RENEWAL/ASSIGNMENT OF FRANCHISE DOCUMENTS  
RELEASE**

**THIS CONSENT TO RENEWAL/ASSIGNMENT OF FRANCHISE DOCUMENTS** (the "Release") is effective this \_\_\_\_ day of \_\_\_\_\_ 20\_\_, by and among BoxDrop LLC, an Ohio limited liability company (the "Company"), and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee/Transferor").

**RECITALS:**

**WHEREAS**, Franchisee/Transferor and the Company (or its predecessor) entered into a certain Franchise Agreement dated as of \_\_\_\_\_, 20\_\_ (the "Franchise Agreement" and, together with all related documents and agreements, the "Franchise Documents") granting Franchisee/Transferor the right to operate a BoxDrop retail bedding and furniture business \_\_\_\_\_ (the "BoxDrop Business") according to the terms of the Franchise Documents (all initial capitalized terms used but not defined in this Release shall have the meanings set forth in the Franchise Agreement); and

**WHEREAS**, Franchisee/Transferor wishes to renew or assign its interest in the Franchise Documents and the BoxDrop Business, and all related rights; and

**WHEREAS**, the Franchise Agreement contains Franchisee's/Transferor's obligation to sign a release of claims in connection with any renewal of the Franchise Documents and its obligation not to assign the Franchise Agreement or the BoxDrop Business' assets without the Company's prior written approval; and

**WHEREAS**, the Company is willing to approve the renewal or assignment of the Franchise Documents, as applicable (the "Transaction"), if, among other things, Franchisee/Transferor and its related parties agree to the terms of this Release; and

**WHEREAS**, Franchisee/Transferor and its related parties are willing to agree to the terms of this Release in order to obtain the Company's consent to the Transaction.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Release and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Release of the Company Parties and Covenant Not to Sue.** Franchisee/Transferor, for itself and its affiliates, each of their respective owners (including, without limitation, each person listed under "Owners" on the signature page of this Release) (collectively, the "Owners"), officers, directors, partners, managers, employees, representatives and agents, and all of their respective successors, heirs, executors, administrators, personal

representatives and assigns (collectively, the “Renewing/Transferring Parties”), hereby forever releases and discharges the Company, its predecessors, its and their affiliates, and all of their respective managers, officers, directors, owners, employees, agents, heirs, representatives, successors and assigns (collectively, the “Company Parties”), from any and all claims, damages, demands, causes of action, debts, costs, suits, duties, obligations, liabilities and agreements of any nature and kind whatsoever (collectively, “Claims”) which any of the Renewing/Transferring Parties now has, ever had, or, but for this Release, hereafter would or could have against any of the Company Parties relating to or arising directly or indirectly in connection with any of the Renewing/Transferring Parties' rights or any of the Company Parties' obligations under the Franchise Documents, or otherwise relating to or arising directly or indirectly in connection with the relationship between any of the Renewing/Transferring Parties and any of Company Parties, at any time prior to the Effective Date.

Franchisee/Transferor and the Owners, for themselves and the other Renewing/Transferring Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this Section 1. Franchisee/Transferor and each of the Owners, jointly and severally, hereby represent and warrant to the Company Parties that: (a) each has full power and authority to sign this Release and bind all of the Renewing/Transferring Parties to its provisions; (b) none of the Renewing/Transferring Parties has assigned any of the Claims released by this Section 1 to any individual or entity who is not bound by this Section 1; and (c) the Owners collectively own all of the issued and outstanding shares of capital stock or other ownership interests in Franchisee/Transferor.

Franchisee/Transferor and the Owners acknowledge a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

**“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor.”**

Each of the Renewing/Transferring Parties hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Claims released under this Release, each of the Renewing/Transferring Parties acknowledges that he, she, or it may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of this release, but that it is the parties' intention, subject to the terms and conditions of this Release, fully, finally and forever to settle and release all such Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given under this Release shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts

2. **Miscellaneous.**

- (a) This Release, together with the other documents and agreements signed

simultaneously with this Release in order to effect the Transaction, represents the entire agreement of the parties pertaining to the subject matter of this Release and supersedes all prior agreements, understandings and representations, whether oral or written.

(b) The Sections in the Franchise Agreement relating to enforcement of the Agreement, including, without limitation, the provisions relating to Arbitration, Governing Law and Consent to Jurisdiction, are incorporated in this Release by this reference as if fully stated here.

(c) The captions and headings are only for convenience of reference, are not a part of this Release, and will not limit or construe the provisions to which they apply. All references in this Release to the singular usage will be construed to include the plural and the masculine and neuter usages to include the other and the feminine. The obligations of the Owners and Franchisee/Transferor to the Company shall be joint and several.

(d) This Release is binding upon and inures to the benefit of the Company, Franchisee/Transferor, the Owners and their respective successors, permitted assigns and legal representatives. This Release may be executed in multiple copies, each of which will be deemed an original.

(e) Each of the Company Parties will be deemed to be a third party beneficiary of this Release with an independent right to enforce it.

**IN WITNESS WHEREOF**, the parties have duly executed this Release on the date first stated above.

**BoxDrop LLC,**  
an Ohio limited liability company

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

**FRANCHISEE/TRANSFEROR**

\_\_\_\_\_  
[Name]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**OWNERS:**

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

**EXHIBIT L**

**FORM OF PROMISSORY NOTE  
COGNOVIT PROMISSORY NOTE**

[\$12,000]

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

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, each of the undersigned, \_\_\_\_\_, an \_\_\_\_\_, and \_\_\_\_\_, an \_\_\_\_\_ resident (each a “**Maker**” and collectively a “**Maker**”), each having an address \_\_\_\_\_, promises to pay to the order of BoxDrop LLC, an Ohio limited liability company (“**Holder**”), having an address at 6221 Riverside Drive, #2N, Dublin, Ohio 43017, or at such other address as the Holder hereof may from time to time designate, in writing, the sum of [Twelve Thousand Dollars (\$12,000.00)] (the “**Loan**”). The Loan, plus the accrued interest rates, shall be paid by Maker in twelve (12) equal monthly installments of principle and accrued interest, the first such installment becoming due and payable on \_\_\_\_\_ (“**Effective Date**”), and the last such installment becoming due and payable on \_\_\_\_\_ (the “**Maturity Date**”). On the Maturity Date, the entire unpaid balance of this Promissory Note (this “**Note**”) shall be due and payable in full. The outstanding principal amount of this Note shall bear interest at [4.75%] per annum based on a 365-day year, commencing on the Effective Date of this Note and continuing until the full amount of principal has been paid.

Upon the occurrence of an Event of Default (as defined herein), at the election of Holder and upon notice to Maker, the principal balance remaining unpaid on this Note, and all accrued but unpaid interest thereon, shall bear interest thereafter at the rate of ten percent (10%) per annum from the Maturity Date, and Holder may proceed to exercise any other rights and remedies available to Holder under this Note, at law and/or in equity. Holder reserves the right to, at its option, declare the entire unpaid balance of this Note to be forthwith due and payable upon an Event of Default, and such balance shall be accelerated and become due and payable immediately. For the avoidance of doubt, an Event of Default shall constitute a default under the applicable Franchise Agreement between Maker and Holder.

The following occurrences each constitute an “**Event of Default**”: (a) the failure of Maker to pay any amount of the Loan when due and cure such failure within five (5) days after written notice to Maker; (b) any event of default under any document or instrument executed or delivered to Holder in connection with any obligation of Maker to Holder, including the Franchise Agreement, of even date herewith; or (c) any voluntary petition by or involuntary petition against Maker is filed pursuant to the United States Bankruptcy Code, or Maker makes an assignment for the benefit of creditors. Presentment, demand, notice of dishonor, and protest are hereby waived by Maker.

All payments due hereunder shall be made either in lawful money of the United States of America no later than 12:00 PM on the date on which such payment is due. Maker may prepay the Loan in whole or in part at any time or from time to time without penalty or premium. All payments made hereunder shall be applied as follows: first, to the payment of any fees or charges outstanding hereunder; second, to accrued interest, if any; and third, to the payment of the principal amount of the Loan outstanding under the Note.

Any notice to Holder shall be given by mailing such notice by certified mail, return receipt requested, to Holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by Holder in a notice sent to the undersigned.

No delay or omission by Holder hereof in exercising any rights hereunder shall operate as a waiver of such rights, or of any other rights under this Note. The waiver on any one occasion shall not be construed as bar to or a waiver of any such rights and remedies on any future occasion.

Maker hereby authorizes any attorney at law to appear in any court of record in the State of Ohio or in any other state or territory of the United States at any time after the Note becomes due, whether by acceleration or otherwise, to waive the issuing and service of process, and to confess judgment against Maker in favor of Holder for the amount due together with interest, expenses, the costs of suit and reasonable counsel fees, and thereupon to release and waive all errors, rights of appeal and stays of execution. Such authority shall not be exhausted by one exercise, but judgment may be confessed from time to time as any sums and/or costs, expenses or reasonable counsel fees shall be due, by filing an original or a photostatic copy of the Note. The attorney-at-law authorized hereby to appear for Maker may be an attorney-at-law representing Holder, and Maker hereby expressly waives any conflict of interest that may exist because of such representation.

This Note may not be assigned or transferred by the Maker, without the consent of Holder. Holder may be assign, transfer or negotiate this Note without the prior written consent of Maker. This shall be binding upon Maker's successors and assigns. This Note shall be governed by and construed in accordance with the laws of the State of Ohio in all respects. The undersigned shall pay all costs of collection and attorneys' fees incurred or paid by Holder in enforcing the terms of this Note.

*[Signature Page Follows]*

This Cognovit Promissory Note was executed in \_\_\_\_\_ effective on the date above written.

**WARNING – BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.**

**MAKER:**

\_\_\_\_\_  
an [Entity Type]

By: \_\_\_\_\_  
[Name]

**WARNING – BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.**

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

## 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	Not applicable
Illinois	Pending
Indiana	Pending
Maryland	May 31, 2024
Michigan	May 6, 2024
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	May 28, 2024
South Dakota	May 23, 2024
Virginia	May 23, 2024
Washington	Not applicable
Wisconsin	May 1, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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, 600 Pennsylvania Avenue, NW, Washington, D.C. 20580 and the appropriate state agency.

The franchisor is BoxDrop LLC, located at 6221 Riverside Drive, #2N, Dublin, Ohio 43017. Its telephone number is 614-965-3981.

Issuance Date: April 30, 2024

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: Jim Wilson (Johnson City, TN; (423) 833-8469), Brad Loy (Raymore, MO; (719) 377-1523), and each such person is employed by BoxDrop LLC, located at 6221 Riverside Drive, #2N, Dublin, Ohio 43017. Additionally, the following persons (if applicable) \_\_\_\_\_, located at \_\_\_\_\_, were involved in offering this franchise.

We authorize the respective state agents in each state to receive service of process for us in such particular state.

I received a disclosure document from BoxDrop, LLC dated April 30, 2024, that included the following Exhibits:

- |                                         |                                                |
|-----------------------------------------|------------------------------------------------|
| Exhibit A: List of State Agencies       | Exhibit G: Operations Manual Table of Contents |
| Exhibit B: Franchise Agreement          | Exhibit H: List of Franchisees                 |
| Exhibit C: Development Rights Agreement | Exhibit I: List of Franchisees who have Left   |
| Exhibit D: Amend to Franchise Agreement | Exhibit J: State Addenda and Riders            |
| Exhibit E: Financial Statements         | Exhibit K: Form of Release Agreement           |
| Exhibit F: Confidentiality Agreement    | Exhibit L: Form of Promissory Note             |

\_\_\_\_\_  
Date  
(Date, Sign, and Keep for Your Own Records)

\_\_\_\_\_  
Prospective Franchisee Name

\_\_\_\_\_  
Authorized Signature

**Retain this copy for your records**

[Signature Page to FDD Receipt, Franchisee Copy]

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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, 600 Pennsylvania Avenue, NW, Washington, D.C. 20580 and the appropriate state agency.

The franchisor is BoxDrop, LLC, located at 6221 Riverside Drive, #2N, Dublin, Ohio 43017. Its telephone number is 614-965-3981.

Issuance Date: April 30, 2024

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: Jim Wilson (Johnson City, TN; (423) 833-8469), Brad Loy (Raymore, MO; (719) 377-1523), and each such person is employed by BoxDrop LLC, located at 6221 Riverside Drive, #2N, Dublin, Ohio 43017. Additionally, the following persons (if applicable) \_\_\_\_\_, located at \_\_\_\_\_, were involved in offering this franchise.

We authorize the respective state agents in each state to receive service of process for us in such particular state.

I received a disclosure document from BoxDrop, LLC dated April 30, 2024, that included the following Exhibits:

- |                                          |                                                |
|------------------------------------------|------------------------------------------------|
| Exhibit A: List of State Agencies        | Exhibit G: Operations Manual Table of Contents |
| Exhibit B: Franchise Agreement           | Exhibit H: List of Franchisees                 |
| Exhibit C: Development Rights Agreement  | Exhibit I: List of Franchisees who have Left   |
| Exhibit D: Amend. To Franchise Agreement | Exhibit J: State Addenda and Riders            |
| Exhibit E: Financial Statements          | Exhibit K: Form of Release Agreement           |
| Exhibit F: Confidentiality Agreement     | Exhibit L: Form of Promissory Note             |

\_\_\_\_\_  
Date  
(Date, Sign, and Give to Us)

\_\_\_\_\_  
Prospective Franchisee Name

\_\_\_\_\_  
Authorized Signature

**Give this copy to BoxDrop, LLC**

[Signature Page to FDD Receipt, Franchisor Copy]