

FRANCHISE DISCLOSURE DOCUMENT



Spenga Holdings LLC  
a Delaware limited liability company  
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(708) 465-9113  
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http://www.spenga.com/

Franchisor currently offers qualified parties a franchise for the right to independently own and operate a fitness studio that (a) features and provides exercise equipment and machines, fitness training services, and logoed merchandise, and (b) operated utilizing certain proprietary marks (including SPENGA) and a business operations system developed and designated by Franchisor (each, a “Studio”).

The total investment necessary to begin operation of a ~~single~~Spenga traditional model ~~Studio~~franchise is \$499,890 to \$823,615. This includes \$53,500 to \$56,000 that must be paid to the franchisor ~~and/or its affiliates, as applicable~~affiliate.

The total investment necessary to begin operation of a Spenga single combo model ~~Studio~~franchise is \$435,931 to \$625,085. This includes \$53,500 to \$56,000 that must be paid to the franchisor ~~and/or its affiliates, as applicable~~-affiliate.

~~Franchisor also offers qualified parties the right to own and operate multiple Studios within a defined development area. The total investment necessary to begin developing multiple Studios under an area development agreement with us will vary based on the number of Studios you are granted the right to develop.~~

The total initial investment necessary to ~~own and operate~~begin operation of three (3) Spenga traditional Studios ~~within a development area~~model franchises is \$569,890 to \$893,615, ~~which. This~~ includes (i) a development fee amounting to \$119,500 that is payable ~~must be paid~~ to us prior to opening, and (ii) the estimated ~~franchisor or affiliate~~.

~~The total initial investment to open your initial Studio as required by your development agreement. The minimum number necessary to begin operation of Studios you may purchase the right to develop under an area development agreement is two (2).~~three (3) Spenga combo model franchises is \$505,931 to \$695,085. This includes \$119,500 that must be paid to the franchisor or affiliate.

~~The total initial investment necessary to own and operate three combo (3) Studios within a development area is \$505,931 to \$695,085, which includes (i) a development fee amounting to \$119,500 that is payable to us prior to opening, and (ii) the estimated initial investment to open your initial Studio as required by your development agreement. The minimum number of Studios you may purchase the right to develop under an area development agreement is two (2).~~

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, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Roger McGreal, our CEO, at (708) 465-

## 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 and development agreement require you to resolve disputes with the franchisor by mediation in the county in which the franchisor is located, currently Will County, Illinois. Out-of-state mediation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate with the franchisor in Illinois than in your own state. Certain disputes with us not subject to mediation must be resolved by litigation in Illinois. It may also cost more to litigate in Illinois than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
5. **Unopened Franchises.** The Franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.
6. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

in Note 11 above. Some states have laws that impose staffing or operational requirements that will significantly increase the amounts you will have to spend to open and operate your Studio. ~~You should review this amount carefully with a business advisor or legal advisor before making any decision to purchase the franchise.~~ We do not offer financing for any part of the initial investment. The availability and terms of financing with third-party lenders will likely depend on the availability of financing generally, your credit-worthiness, policies of lending institutions concerning the type of business to be operated and other similar factors.

**B. Development Agreement**

**YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

Type of Expenditure	Offering	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee <sup>2</sup>	3-Pack	\$119,500	Lump Sum	Upon execution of Development Agreement	Franchisor
	5-Pack	\$178,000			
	10-Pack	\$299,500			
Initial Investment to Open Traditional Model Initial Studio <sup>3</sup>		\$450,390 to \$774,115	Calculated by taking the total estimated initial investment in Chart A (for the Traditional Model) of this Item 7 and subtracting the Initial Franchise Fee amount.		
Initial Investment to Open Combo Model Initial Studio <sup>3</sup>		\$386,431 to \$575,585	Calculated by taking the total estimated initial investment in Chart A (for the Combo Model) of this Item 7 and subtracting the Initial Franchise Fee amount.		
<b>TOTALS (Traditional Model)</b>	<b>3-Pack</b>	<b>\$569,890 to \$893,615</b>	This is the total estimated initial investment to enter into a Development Agreement for the right to develop each of the multi-unit offerings we typically offer under our ADA (for the Traditional Model), as well as the costs to open and commence operating your initial Traditional Model Studio for the first three (3) months (as described more fully in Chart A of this Item 7). See Note 3.		
	<b>5-Pack</b>	<b>\$628,390 to \$952,115</b>			
	<b>10-pack</b>	<b>\$749,890 to \$1,073,615</b>			
<b>TOTALS (Combo Model)</b>	<b>3-Pack</b>	<b>\$505,931 to \$695,085</b>	This is the total estimated initial investment to enter into a Development Agreement for the right to develop each of the multi-unit offerings we typically offer under our ADA (for the Combo Model), as well as the costs to open and commence operating your initial Combo Model Studio for the first three (3) months (as described more fully in Chart A of this Item 7). See Note 3.		
	<b>5-Pack</b>	<b>\$564,431 to \$753,585</b>			
	<b>10-pack</b>	<b>\$685,931 to \$875,085</b>			

**Explanatory Notes to Chart 7(B) Above:**

1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right

## **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.

#### **BACKGROUND**

As of December 31, 2023, there were 57 franchised Studios (each, a "Franchised Studio") and one (1) affiliate-owned Studio (the "Affiliate Studio"). This Financial Performance Representation sets forth certain historical data for the Franchised Studios and Affiliate Studio. No Affiliate Studios were excluded from this Financial Performance Representation. Some Franchised Studios were excluded from this Financial Performance Representation as set forth in each Part below.

For purposes of this Financial Performance Representation, NCI is defined as all revenue generated from the sale and provision of any and all gift cards, memberships, and other Approved Services (classes, etc.) and Approved Products (merchandise, apparel and/or equipment) at or through the studio, as well as proceeds from any business interruption insurance related to the non-operation of the studio, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. "NCI" does not include (a) tips that clients pay to instructors of the studio that are retained by that instructor, (b) any sales tax and equivalent taxes that are collected by the studio for or on behalf of any governmental taxing authority and paid thereto, or (c) the value of any allowance issued or granted to any client of the studio that is credited in good faith in full or partial satisfaction of the price of the Approved Products or Services.

Part I of this Item discloses the year-over-year total network growth for 57 Franchised Studios and one (1) affiliate-owned Studio that were open and operating during the 2023 calendar year. Part I excludes data in connection with 13 Franchised Studios that ceased operations for other reasons during the 2023 calendar year.

Part II of this Item discloses the monthly average, median, high, and low monthly lead volume for 57 Franchised Studios and one Affiliate Studio that were open and operating during the 2023 calendar year. Part II excludes data in connection with 13 Franchised Studios that ceased operations for other reasons during the 2023 calendar year.

Part III of this Item discloses the average, median, high and low prospect conversion to membership rate during the 2023 calendar year for 53 Franchised Studios and the one Affiliate Studio open during the entire 2023 calendar year. Part III excludes data in connection with 13 Franchised Studios that ceased operations during the 2023 calendar year and four Franchised Studios that opened in 2023 since those studios were not open the entire 2023 calendar year.

Part IV of this Item discloses the percentage of recurring memberships sold compared to other membership options as well as the average, median, high, and low price for recurring membership for the 57 Franchised Studios during the 2023 calendar year. Part IV also discloses the percentage of recurring memberships sold compared to other membership options for the Affiliate Studio during the 2023 calendar year. Part IV excludes data in connection with 13 Franchised Studios that ceased operations for other reasons during the 2023 calendar year.

Part V of this Item discloses the average, median, high, and low revenue collected for package sessions and challenges sold for the 53 Franchised Studios open during the entire 2023 calendar year as well as the revenue

collected by the Affiliate Studio for package sessions and challenges sold open during the 2023 calendar year. Part V excludes data in connection with 13 Franchised Studios that ceased operations during the 2023 calendar year and four Franchised Studios that opened in 2023 since those studios were not open the entire 2023 calendar year.

Part VI of this Item discloses “no show” and “late cancel” revenue collected for the 36 Franchised Studios open during the 2023 calendar year that participate in the auto-billing for “no show” and “late cancel” fees. Part VI also discloses the “no show” and “late cancel” revenue collected for the Affiliate Studio during the 2023 calendar year. Part VI excluded data in connection with (i) with four Franchised Studios that opened in 2023 since those studios were not open the entire 2023 calendar year, and (ii) 17 Franchised Studios that do not participate in the auto-billing for “no show” and “late cancel” fees.

Part VII of this Item discloses the retail revenue generated for the 53 Franchised Studios open during the entire 2023 calendar year. Part VII also discloses the retail revenue collected for the Affiliate Studio during the entire 2023 calendar year. Part VII excludes data in connection with 13 Franchised Studios that ceased operations during the 2023 calendar year and four Franchised Studios that opened in 2023 since those studios were not open the entire 2023 calendar year.

Part VIII of this Item discloses the revenue generated from a third-party aggregator for the 40 Franchised Studios that participated during the 2023 calendar year. Part VIII also discloses the revenue generated from a third-party aggregator for the Affiliate Studio during the 2023 calendar year. Part VIII excludes data in connection with 17 Franchised Studios that did not engage the service of a third-party aggregator.

Part IX of this Item discloses the average, median, high, and low total members generated during presales for the (i) three Franchised Studios that conducted presales for the trailing 12 months as of April 1, 2024. One Franchised Studio that opened in 2023 was excluded from Part IX as a result of their failure for not being in compliance with the presales marketing spend.

Part X of this Item discloses the (i) average, median, high, and low NCI increase by the 53 Franchised Studios that operated in 2022 and 2023, and (ii) the increase in revenue by the Affiliate Studio from 2022 to 2023. ~~We excluded~~ Part X excludes data in connection with 13 Franchised Studios that ceased operations during the 2023 calendar year and four Franchised Studios that opened during in 2023 since those studios were not open the entire 2023 calendar year ~~from Part X.~~

Part XI of this Item discloses the average, median, high, and low NCI generated during April 2024 for the 40 Franchised Studios that were open during the entire 2023 calendar year and were in compliance with the minimum monthly marketing spend. Part XI also discloses the NCI generated during April 2024 by the Affiliate Studio. Part XI excluded data in connection with 13 Franchised Studios that ceased operations during the 2023 calendar year and four Franchised Studios that opened in 2023 since those studios were not open the entire 2023 calendar year.

Part XII of this Item discloses the total NCI generated, as well as certain costs and operating expenses incurred by the Affiliate Studio throughout the 2019, 2020, 2021, 2022, and 2023 calendar years as well as March 2024. We excluded Franchised Studios from Part XII because we did not receive operating costs and expense data from the Franchised Studios for the 2019, 2020, 2021, 2022, and 2023 calendar years in the required form and format.

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

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

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**PART I: INCREASE IN TOTAL NETWORK NCI FOR THE FRANCHISED STUDIOS AND AFFILIATE STUDIO FROM 2022 TO 2023**

<b>Franchised Studios</b>
<b>Increase in Total NCI from 2022 to 2023</b>
+\$4,494,135.56

<b>Affiliate Studio</b>
<b>Increase in Total NCI from 2022 to 2023</b>
+\$87,304.82

<b>All Studios</b>
<b>Increase in Total NCI from 2022 to 2023</b>
+\$4,581,440.38

**Notes to Part I:**

1. "NCI" means all revenue generated from the sale and provision of any and all gift cards, memberships, and other Approved Services (classes, etc.) and Approved Products (merchandise, apparel and/or equipment) at or through the studio, as well as proceeds from any business interruption insurance related to the non-operation of the studio, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. "NCI" does not include (a) tips that clients pay to instructors of the studio that are retained by that instructor, (b) any sales tax and equivalent taxes that are collected by the studio for or on behalf of any governmental taxing authority and paid thereto, or (c) the value of any allowance issued or granted to any client of the studio that is credited in good faith in full or partial satisfaction of the price of the Approved Products or Services.

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**SPENGA HOLDINGS LLC**  
**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF ILLINOIS**

The following is a revision to ~~Item 5~~ Payment of the ~~disclosure document~~:

~~The Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General's Office imposed this deferral requirement General~~  
due to Franchisor's financial condition.

The following are revisions to ~~Item 17~~ of the ~~By reading this~~ disclosure document:

~~The Illinois Franchise Disclosure Act applies. The conditions under which the franchise can be terminated, you are not agreeing to, acknowledging, or making any representation whatsoever to the Franchisor and the rights upon non-renewal may be affected and are governed by Illinois Franchise Disclosure Act, 815 ILCS 705/19, 20 (West 2016); its affiliates.~~

Illinois law governs the ~~franchise agreement~~. Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act ~~provides that~~, any provision in a franchise agreement that designates jurisdiction ~~or~~ and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration ~~in a venue~~ to take place outside of Illinois.

~~Section~~ Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act ~~provides that~~, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act; **or any other law of Illinois**; is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving ~~and 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~~ Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Disclosure Document.~~

**SPENGA HOLDINGS LLC**

**FRANCHISEE/DEVELOPER**

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

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

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

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

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

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

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

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

**SPENGA HOLDINGS LLC  
ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT**

~~ALL FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF ILLINOIS ARE HEREBY AMENDED AS FOLLOWS:~~

~~1. The Franchisor and Franchisee/Developer hereby acknowledge that this Agreement shall be governed by Illinois law.~~

~~Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.~~

~~Illinois law governs the Franchise Agreement.~~

~~In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.~~

~~Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.~~

~~2. In conformance with section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this the Illinois Franchise Disclosure Act or any other law of Illinois is void."~~

~~3. The conditions under which the Studio/Area Development Business may be terminated and the Franchisee's/Developer's rights upon non-renewal are governed by Illinois Franchise Disclosure Act, 815 ILCS 705/19, 20 (West 2016).~~

~~4. With respect to any agreement executed and operational in the State of Illinois, any governing law or choice of law clause granting authority to a state other than Illinois is hereby amended to grant authority of the Illinois Franchise Disclosure Act.~~

~~5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving ~~and 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~~ Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~6. Section 4.1 of the Franchise Agreement and Section 2 of the Development Agreement are hereby amended to include the following language:-~~

~~\_\_\_\_\_The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's  
\_\_\_\_\_financial condition.~~

~~The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement or Development Agreement.~~

**SPENGA HOLDINGS LLC**  
**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Spenga Holdings LLC Franchise Disclosure Document.

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 and 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.

Items 5 and 7

Due to our financial condition, we are required to defer collection of initial fees until your business opens.

Item 13

Spenga Holdings LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

Item 17.

Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Disclosure Document, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of §§80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. §80.C.21 and Minn. Rule 2860.4400J prohibits Spenga Holdings LLC requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

To the extent you are required to execute a general release in favor of Spenga Holdings LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

**SPENGA HOLDINGS LLC**  
**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT AND**  
**DEVELOPMENT AGREEMENT**

This Amendment shall pertain to franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

1. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Agreement, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.

2. Spenga Holdings LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the marks to the extent required by Minnesota law.

3. The Franchise Agreement shall be supplemented by the following provision:

Pursuant to Minn. Stat. Sec. 80C.21, nothing in this Agreement shall, in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including but not limited to the right to submit matters to the jurisdiction of the courts of Minnesota.

4. Minn. Stat. '80.C.21 and Minn. Rule 2860.4400J prohibit Spenga Holdings LLC from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

5. To the extent you are required to execute a general release in favor of Spenga Holdings LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. '80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought pursuant to the Minnesota Franchises Act, '80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.

7. Due to our financial condition, we are required to defer collection of initial fees until your business opens.

7. 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 and 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.

**SPENGA HOLDINGS LLC**

**FRANCHISEE**

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

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

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

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

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

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

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

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

**SPENGA HOLDINGS LLC  
WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT AND AREA  
DEVELOPMENT AGREEMENT**

**ALL FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF WASHINGTON ARE HEREBY AMENDED AS FOLLOWS:**

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

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

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

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

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

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

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

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

Section 6.5 of the Franchise Agreement is amended to include the following language: "Franchisees have no

obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party's gross negligence, willful misconduct, strict liability, or fraud.

Section 9.16 of the Franchise Agreement does not apply in Washington.

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 and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**SPENGA HOLDINGS LLC**

**FRANCHISEE/DEVELOPER**

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

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

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

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

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

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

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

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

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws or business opportunity laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	<del>Pending Registration</del> <u>June 21, 2024</u>
Hawaii	Not Registered
Illinois	<del>Pending Registration</del> <u>June 7, 2024</u>
Indiana	<del>Pending Registration</del> <u>May 16, 2024</u>
Maryland	Pending Registration
Michigan	May 10, 2024
Minnesota	Pending Registration
New York	Pending Registration
North Dakota	Not Registered
Rhode Island	<del>Pending Registration</del> <u>May 12, 2024</u>
South Dakota	Not Registered
Virginia	Pending Registration
Washington	<del>Pending Registration</del> <u>August 8, 2024</u>
Wisconsin	<del>Pending Registration</del> <u>May 16, 2024</u>

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.