



## FRANCHISE DISCLOSURE DOCUMENT

M.G.M. LIQUOR STORES, INC.  
A MINNESOTA CORPORATION  
2550 UNIVERSITY AVENUE WEST, SUITE 230S  
ST. PAUL, MINNESOTA 55114  
(651) 487-1006  
franchise@mgmwineandspirits.com  
www.mgmwineandspirits.com

The franchise offered is for the operation of an off-sale retail liquor store. The total investment necessary to begin operation of an MGM Wine & Spirits® store is estimated at between \$532,000 and \$1,042,000 for a 5,000 square foot store, between \$737,800 and \$1,647,000 for a 7,500 square foot store, and between \$872,000 and \$2,217,000 for a 9,500 square foot store. This includes an initial franchise fee that must be paid to us of either \$50,000, or a reduced initial franchise fee of \$40,000 if this is the second or subsequent MGM franchise you are acquiring and you are not in default under your current franchise agreement(s).

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Paul Setter at our offices, telephone: 651-487-1006.

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: March ~~24~~22, ~~2023~~2024

FDD

## 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 C.
<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 D 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 MGM Wine &amp; Spirits® 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 MGM Wine &amp; Spirits® franchisee?</b>	Item 20 and Exhibit C 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 B.

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

### **Special Risk(s) to Consider About *This* Franchise**

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

**Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Minnesota. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate or arbitrate with the franchisor in Minnesota than in your own state.

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

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### EXHIBITS

- A. State Addenda to Franchise Disclosure Document
- B. State Agencies/Agents for Service of Service
- C. List of Stores
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## 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is M.G.M. Liquor Stores, Inc. To simplify the language in this Franchise Disclosure Document, M.G.M. Liquor Stores, Inc. will be referred to as “we,” “us,” or “M.G.M.” We will refer to the person or entity that buys the franchise as “you” throughout this Disclosure Document. If you are a corporation, a limited liability company, or a partnership, certain provisions of the agreement will also apply to the stockholders, members, or partners of that entity, and will be noted.

In 1970, the current principals of M.G.M. began operating retail liquor stores through a number of ~~corporations~~entities. While operating these stores, they developed certain policies, procedures and techniques for operating and promoting off-sale retail liquor stores. On September 27, 1977, they formed M.G.M. Liquor Warehouse International, Inc. for the purpose of offering franchises for this business. That company offered franchises, and operated the M.G.M. franchise system, until the spring of 1995. In early 1995, through a series of mergers, that company acquired several of the MGM Liquor Warehouse® stores owned by its shareholders and began operating those stores as company-owned stores. It also changed its name to M.G.M. Wine & Spirits, Inc. (In the rest of this Disclosure Document, we will refer to this entity as M.G.M. Wine & Spirits.) M.G.M. Wine & Spirits incorporated us on September 29, 1995, transferred all of its franchise business to us in October 1995, and became our parent company. M.G.M. Wine & Spirits stopped selling franchises in May 1995, and we began offering franchises for this business in October 1995. As of December 31, ~~2022~~2023, we had ~~29~~27 franchised stores in operation, all in Minnesota. We have never offered franchises for any other type of business, and neither has M.G.M. Wine & Spirits.

M.G.M. Wine & Spirits subleases existing stores to franchisees, sells existing company-owned stores to franchisees, and sells supplies to our franchisees (see Items 5 and 8 of this Disclosure Document). ~~Our affiliates, TJM Enterprises, LLC and M.G.M. of St. Louis Park, LLC also sublease stores to franchisees.~~ We do not have any other affiliates that offer franchises in any line of business or currently provide products or services to our franchisees.

M.G.M. Wine & Spirits and M.G.M. are Minnesota corporations. The principal offices for these companies are located at 2550 University Avenue West, Suite 230S, St. Paul, Minnesota 55114.

The franchise we are offering will allow you to operate an off-sale retail liquor store under our names, marks, and systems. The market for the goods and services offered in these stores include all persons 21 years of age and older. Your business will be seasonal in that one-fourth of your sales will typically occur between the first weekend of November and New Year’s weekend.

Your primary competition will come from other off-sale retail liquor stores, including local, regional and national companies. Some of these stores may specialize in certain products, like craft beer or wine. You will also have competition from companies that sell alcoholic beverages on the Internet, including wine buying clubs, and from local breweries, wineries and distilleries that sell direct to consumers. In states that allow alcoholic beverages to be sold in grocery or department stores, or in which “strong” beer can be sold in convenience stores, competition will also come from these other sources.

The off-sale retail liquor business is highly regulated by federal, state and local laws. These laws require that you obtain an off-sale retail liquor license from your city and state, and also register as an alcohol dealer with the United States Department of Treasury before you can open your business. These laws also limit the products you can sell in your store. Some cities will also require you obtain a food handler's license. [If you are permitted by state and local laws to sell THC-infused products \(or cannabis products\), you will need one or more separate licenses to sell those products.](#) State and local laws prohibit the sale of intoxicating beverages, [THC-infused products and cannabis products](#) to persons under 21 years old or [to](#) persons who appear to be intoxicated, and ~~in~~ most states, impose limits on the way you advertise your business and the dates and hours in which you may operate. For more detailed information as to how these laws will affect your business, you should contact the Liquor Control Board ~~of your~~ [and any other](#) state [offices that regulate products you sell](#), and the City Manager of the city in which you will operate. You will also need a tobacco license to sell tobacco products, and you will have to comply with regulations that pertain to the sale of tobacco and lottery tickets. Because you will accept credit cards, you will also have to comply with any general laws and regulations relating to the acceptance of credit cards, including the Payment Card Industry Data Security Standard. You must also comply with regulations that apply to electronic marketing, like faxes, emails, text messaging and telemarketing. Compliance with all these laws and standards is your responsibility.

Our agents for service of process are disclosed in Exhibit B.

## 2. BUSINESS EXPERIENCE

President: Paul A. Setter

In October 2007, Mr. Setter was appointed President of M.G.M. He previously worked as M.G.M.'s Marketing Director from our incorporation in 1995 until September 2004, and then as Vice President – Sales and Marketing until October 2007. He has also held the position of Vice President – Sales and Marketing for M.G.M. Wine & Spirits since October 2006.

Secretary and Director: Michael G. Maglich

Mr. Maglich is also a founder of M.G.M. Wine & Spirits. He has been an officer and director of M.G.M. Wine & Spirits since 1977, positions he continues to hold at this time. He was Executive Vice President of M.G.M. from our incorporation in 1995 until September 2004, and Secretary and a director of M.G.M. since our incorporation, positions he continues to hold at this time. During the last 5 years, Mr. Maglich has also served as a principal officer of ~~a number of~~ [other](#) companies operating MGM Wine & Spirits® stores in Minnesota.

Vice President – Controller [and Treasurer](#): Dana Mudgett

Ms. Mudgett has worked in our accounting department and the accounting department of M.G.M. Wine & Spirits, since August 1996. From February 2000 to September 2004, she was the Controller of M.G.M. and M.G.M. Wine & Spirits. In September 2004, she was promoted to Vice President – Controller of M.G.M. and M.G.M. Wine & Spirits. [She was also elected Treasurer of our company in March 2024.](#)

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Vice President of Marketing of Beverage Display Company: Todd Taylor  
Mr. Taylor does not have a formal position with our company, but works with our franchisees on operational issues. In March 2005, he joined Beverage Display Company, located in St. Paul, Minnesota, as a Project Manager. He was promoted to Vice President of Beverage Display Company in November 2009, and held that position until he was named Vice President and General Manager of M.G.M. Wine & Spirits in September 2013. He rejoined Beverage Display Company as Vice President of Marketing in February 2016.

~~Treasurer: Terrance J. Maglich~~

~~Mr. Maglich is a founder of M.G.M. Wine & Spirits. He was the President and Chief Executive Officer of M.G.M. Wine & Spirits from 1977 until September 2004, and a director of M.G.M. Wine & Spirits between 1977 and April 2022. He was President of M.G.M. from our incorporation in 1995 until September 2004. He is currently Treasurer of M.G.M., a position he has held since our incorporation. During the last 5 years, Mr. Maglich has also served as a principal officer of another company operating an off-sale retail liquor store in Minnesota under the MGM Wine & Spirits® names~~

Operating Manager: Jeff Hammerschmidt

Mr. Hammerschmidt has been employed by M.G.M. and its affiliates since 2016 when he joined M.G.M. Wine & Spirits, Inc. as Manager of one of its stores. In June, 2023, he was promoted to Operating Manager of M.G.M.

### 3. LITIGATION

~~No~~

During 2023, we initiated one arbitration action against a franchisee to collect Marketing Contributions and earned service fees, late fees and interest: M.G.M. Liquor Stores, Inc. vs. VZ Inc., MD Asaduzzaman and Vera Gesare Lwanga-Zaman, American Arbitration Association Case No. 01-23-0004-2940, initiated September 2023.

While that is the only action we initiated against a franchisee in 2023 (or in 2024 through the date of this FDD), 3 of our affiliates initiated an action against 2 related former franchisees for unpaid rent and promissory note obligations for the original purchase of their stores from the affiliates: M.G.M. Wine & Spirits, Inc., TJM Enterprises, LLC, and M.G.M. of Highway 13, LLC vs. Stone Lake II, LLC, Stone Lake III, LLC, Jonathan Schumacher, and Jeff Schmuacher, Minnesota District Court, Second Judicial District, (no file number yet), initiated February 20, 2024.

Other than these 2 actions, no litigation is required to be disclosed in this Item.

### 4. BANKRUPTCY

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

## 5. INITIAL FEES

The Initial Franchise Fee is generally \$50,000, but if this is the second or subsequent MGM franchise you are acquiring and you are not in default under your current franchise agreement(s), the Initial Franchise Fee is only \$40,000. These are the same fees that were in effect last year.

Outside of Minnesota, you must pay the initial franchise fee in full when you sign the Franchise Agreement.

If you are acquiring a franchise for a location in Minnesota, you may pay the Initial Franchise Fee in up to 3 installments. You must pay 40% of the Initial Franchise Fee when you sign the Franchise Agreement, and the next 20% when we approve a site for your store. Therefore, if a site has been approved by the time the Franchise Agreement is signed, then you must pay 60% of the Initial Franchise Fee at the time you sign the Franchise Agreement. You must pay the remaining 40% of the Initial Franchise Fee before you sign a lease for your store (or, if you purchase the site, before you acquire any right to take possession of the site). If you own the site for your store at the time you sign the Franchise Agreement, or if you already have a lease for the store at that time, then the entire Initial Franchise Fee must be paid when you sign the Franchise Agreement. Except for the differences described in the first paragraph, the Initial Franchise Fee is generally uniform for all franchisees.

The Initial Franchise Fee is generally not refundable. However, if you sign a Franchise Agreement before a site is approved, and if no site is approved within one year after you sign the Franchise Agreement, you can choose to terminate the Franchise Agreement and receive a refund of all but 20% of the Initial Franchise Fee (all but 50% outside of Minnesota). If a site is approved, but you are not able to acquire the site, either by purchase or lease, and you decide not to obtain approval of a different site, you can terminate the Franchise Agreement and receive a refund of all but 40% of the Initial Franchise Fee (all but 60% outside of Minnesota). If you do not acquire a site, either by purchase or lease, within 18 months after you sign the Franchise Agreement or you do not open your store within 2 years after you sign the Franchise Agreement, we can terminate the Franchise Agreement and keep the Initial Franchise Fee you have paid.

We and our affiliates do not typically sell any goods or services to new franchisees before they open their business. However, our affiliates sometimes sell existing company-owned stores and/or real estate to franchisees. The price for which these stores are sold will depend on the value of the equipment and inventory, and the amount of goodwill value/cash flow the store has generated.

## 6. OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Earned Service Fee	\$4,860 per week, but not more than 2.2% of Gross Receipts. (Notes 2-5)	By Tuesday of each week, subject to a maximum based on Gross Receipts for the prior week (Note	Gross Receipts include all receipts from the sale of goods and services from your store, including all taxes except sales taxes.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Advertising/ Marketing Contribution	2% of Gross Receipts	By Tuesday of each week, based on Gross Receipts for the prior week (Note 6)	At this time, M.G.M. is only collecting 1.2%. However, we may require a higher amount, up to 2%, at any time.
Sign Lease	\$55 per month	On the 10 <sup>th</sup> day of each month, beginning the month after you open your store	We will lease the basic exterior signage to you . The lease payment is \$55.00 per month.
Late Charges	\$100 for each late report. For each late payment of earned service fees or Advertising/ Marketing Contributions, 10% of the overdue amount. And 1 1/2% per month on all unpaid balances	Immediately after notice from us	These fees are only due when reports are not timely provided to us, and when amounts owed to us are not paid on time.
Transfer Fee	\$20,000	Before completing a transfer of the franchise	This fee is only due when you transfer control of the franchise agreement, the franchise, or the franchise business.
Renewal Fee	\$5,000	At least 210 days before your franchise agreement expires	This fee is only due if you decide to renew your franchise.
Audit Expenses	Cost of audit	15 days after receipt of audit report	Payable only if you understate your gross receipts by 2% or more.
Bookkeeping Services	\$75 per hour	Immediately after notice from us	This fee is only due if you fail to provide us required sales or financial information and we have to assist you in preparing these statements.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Costs and Attorneys' Fees	Will vary under circumstances	Within 10 days after notice	If we are successful in any arbitration or legal action we bring against you or in defending any legal action you bring against us, or if we incur any legal fees following your breach of this Agreement.
Indemnification	Will vary under circumstances	Immediately after notice from us	You have to reimburse us if we are sued or held liable for claims arising out of your store's operations.

- 1 Unless otherwise stated, all fees are paid to M.G.M. and are nonrefundable. None of these fees are imposed by a cooperative. These fees are uniformly imposed on all our franchisees. However, we have franchisees who purchased their franchise in prior years, who have different agreements, calling for different fees. In addition, when M.G.M. Wine & Spirits sells its stores, it sometimes includes in the purchase price a prepayment for earned service fees that would be due to us. In those cases, that entity pays us the earned service fees.
- 2 If your state, or any governmental body in your state, charges a tax on the earned service fee we receive from you, then you must pay an additional earned service fee equal to the amount of this tax. This does not apply to any federal or Minnesota income taxes we have to pay.
- 3 The fixed weekly earned service fee increases beginning on the first Tuesday of February 2027, 2032, 2037, and 2042 based on increases in the Consumer Price Index since January 1, 2022, the date this fee was last set.
- 4 Some franchisees may be paying lower earned service fees. These are franchisees who (i) prepaid their earned service fees, (ii) purchased their franchises under older agreements with lower fees, or (iii) purchased stores from our affiliates, where the earned service fee (or a portion of it) was built into the purchase price.
- 5 If this is the second or subsequent franchise you are acquiring, the store you will operate has not previously been operated as an MGM Wine & Spirits or MGM Liquor Warehouse store, and you are in compliance with all of your obligations under your existing franchise agreement(s), we will reduce the maximum earned service fee for the first 104 weeks of operation of the new Franchised Store by 1% of the Gross Receipts of that store so long as you and your affiliates are current with all fees you owe us and our affiliates (so that the maximum will be 1.2%). We reserve the right to modify or discontinue this program at any time.
- 6 We have the right under the franchise agreement to debit your account for these fees.

For additional information as to your initial investment, see Item 7.

## 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (Note 1)	Estimated Low-High Range for 5,000 Square Foot Stores (Note 2)	Estimated Low-High Range for 7,500 Square Foot Stores (Note 2)	Estimated Low-High Range for 9,500 Square Foot Stores (Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$40,000-\$50,000 (Note 3)	\$40,000-\$50,000 (Note 3)	\$40,000-\$50,000 (Note 3)	Lump Sum (Note 4)	When signing Franchise Agreement (Note 4)	M.G.M.
Leasehold Improvements (Note 5)	\$50,000-\$150,000	\$50,000-\$250,000	\$50,000-\$400,000	As Incurred	Before Opening	Outside Suppliers
Equipment (Note 6)	\$125,000-\$300,000	\$150,000-\$400,000	\$150,000-\$450,000	As Incurred	Before Opening	Outside Suppliers
Cash Registers and Credit Card Processors (Note 7)	\$15,000-25,000	\$18,800-30,000	\$25,000-\$40,000	As Ordered	Before Opening	Outside Suppliers
Opening Inventory (Note 8)	\$250,000-\$400,000	\$400,000 - \$750,000	\$500,000-\$1,000,000	As Ordered (Note 7)	Before Opening	Outside Suppliers
Signage (Note 9)	\$2,000-\$15,000	\$4,000-\$15,000	\$7,000-\$25,000	As Ordered	Before Opening	Outside Suppliers
Travel and Living Expenses While Training (Note 10)	\$0-\$2,000	\$0-\$2,000	\$0-\$2,000	As Incurred	Before and During Training	Airlines, Hotels and Restaurants

Type of Expenditure (Note 1)	Estimated Low-High Range for 5,000 Square Foot Stores (Note 2)	Estimated Low-High Range for 7,500 Square Foot Stores (Note 2)	Estimated Low-High Range for 9,500 Square Foot Stores (Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Additional Funds – 3 Months (Notes 11 and 12)	\$50,000-\$100,000	\$75,000-\$150,000	\$100,000-\$250,000	As Incurred	As Incurred	Various Parties, Including Employees
TOTAL (Notes 13, 14 and 15)	\$532,000-\$1,042,000	\$737,800-\$1,647,000	\$872,000-\$2,217,000			

- 1 Except as indicated, these payments are not refundable. The exception is that a portion of the Initial Franchise Fee might be refundable in certain circumstances. If we do not approve any site for your store within one year after you sign the Franchise Agreement, you can terminate the Franchise Agreement and receive a refund of all but 20% of the Initial Franchise Fee (all but 50% outside of Minnesota. If a site is approved and you are not able to obtain the site, you can choose to terminate the Franchise Agreement and receive a refund of all but 40% of the Initial Franchise Fee (all but 60% outside of Minnesota). If you do not acquire a site, either by purchase or lease, within 18 months after you sign the Franchise Agreement or you do not open your store within 2 years after you sign the Franchise Agreement, we can terminate the Franchise Agreement and keep the Initial Franchise Fee you have paid.
- 2 We have a standard prototype model store that is 4,800-5,000 square feet, but we have many franchisees operating from larger locations, and anticipate continuing to offer franchises for locations that range in size from 4,000 square feet to 11,000 square feet. Thus, if you lease a location that is a size other than the examples in this chart, your initial investment could be larger than estimated in this chart.
- 3 The Initial Franchise Fee is generally \$50,000, but it is \$40,000 if this is the second or subsequent MGM franchise you are acquiring, and you are not in default under your current franchise agreement(s).
- 4 In Minnesota only, rather than paying the full fee when you sign the franchise agreement, we will allow you to pay it as follows: If you have identified a site, but not yet acquired it, then only 60% of the fee is due at the time you sign the Franchise Agreement, and the balance is due when you acquire the site. If you have not yet identified a site at the time you sign the Franchise Agreement, then only 40% of the Initial Franchise Fee is due when you sign the Franchise Agreement, with another 20% due when we approve the site for your store, and the balance when you acquire the site.
- 5 We have not projected any cost for the purchase of any land or building because, although some of our franchisees own the building in which their store operates, we generally recommend you lease an existing building for your store or operate in a strip mall. Based on the experiences of our affiliates and our other franchisees, we expect that

rent for a leased facility will typically range from between \$14.00 and ~~\$28.00~~30.00 per square foot per year, or a range of \$70,000 to \$140,000 for a 5,000 square foot store, 105,000 to \$210,000 for a 7,500 square foot store, and \$133,000 to \$266,000 for a 9,500 square foot store. These costs will vary significantly depending upon the location of the store, and could be higher in some prime locations. (In some cases, the landlord may be willing to finance a portion of your leasehold improvements by giving you an allowance or purchasing some of these improvements. When that is done, the landlord typically increases the monthly rent to recover its costs.)

- 6 In most cases, financing will be available for the purchase of equipment. In our experience, banks are generally willing to finance equipment with a 20% to 25% down payment, and there are leasing companies that will offer lease/purchase arrangements with as little as a 10% down payment. We do not, however, arrange financing, and cannot guarantee financing will be available.
- 7 The estimate for cash registers and credit card processors assumes you purchase and install 2 cash registers and credit card processors for a 4,000 square foot store, 3 registers and processors for a 7,500 square foot store, and 4 registers and processors for a 9,500 square foot store. The high estimates also assume you pay the supplier for training on, and configuring, your cash registers.
- 8 Inventory requirements are established by our operations manual. The exact amount of the initial inventory you will need will vary depending on the time of the year and business conditions in your area. During holiday seasons, inventory requirements will increase by approximately 20%-30% above the numbers indicated in the table. To the extent permitted by state law, you may be able to arrange credit terms with suppliers so that only a part of this inventory is paid in advance.
- 9 We will lease a basic exterior signage package to you. However, depending on the location of your building, you may choose to purchase additional signage.
- 10 If you live within a one-hour drive of St. Paul, Minnesota, these expenses will be nominal. The high estimate assumes you live more than driving distance from St. Paul, and stay in a budget motel during training.
- 11 Includes security deposits, insurance deposits, utility deposits, business licenses, attorneys' fees, initial insurance, and prepaid expenses.
- 12 This amount is an estimate of your initial start-up expenses. These expenses include payroll costs and other expenses you will incur during the first 3 months of operating the business (other than for replacement of initial inventory). These figures are estimates and we cannot guarantee you will not have additional expenses either in starting the business or during the first three months. Your costs will depend on factors like: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; supply shortages that may temporarily cause increases in prices or delay deliveries; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

- 13 If you purchase an existing store, you may pay more for your store than these totals because the price you will pay will include the value of the goodwill/cash flow the store has generated.
- 14 These totals do not include any payment for goodwill or other payments you might make to a seller if you purchase an existing M.G.M. Wine & Spirits store. Any amount you pay for goodwill or other items would increase your initial investment.
- 15 In putting together these estimates, we relied on the experience of our franchisees, including our own affiliates, in establishing and remodeling stores during the last ~~few~~10 years. Your actual investment could be different from our experience, particularly if you decide to add features to your store that are above and beyond those normally contained in our stores, or otherwise vary from our models. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest or debt service obligations.

## 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All equipment (including computer equipment and other technology), insurance, fixtures (including lighting and coolers), shelving, supplies, inventory, point-of sale cash registers, ~~computer hardware~~ and other sales systems, and signs you purchase for use or sale in your business must meet our specifications. Those specifications may include minimum standards for delivery, performance, design, appearance, and quality. The specifications will be issued to you before you begin operating and updated as we see fit. These specifications may be included in our policy manual that we loan to you, or they may be separately issued. While we do not have specifications for local advertising you create to promote your business, we do require that you obtain our prior approval to the use of any advertising materials you prepare. You may not establish or maintain any website, web page, or social media or social networking site, profile or account, relating to or making reference to us, your business, or our franchise system, without our approval.

Since most of the items you will purchase to begin operating as an MGM Wine & Spirits® store must meet our specifications, you can expect that the items purchased in accordance with our specifications will represent approximately 90% of the total purchases you will make to begin operations. Once you begin operating, the primary items you will purchase that must meet our specifications are inventory and supplies. We would expect these items to represent over 80% of your total annual expenses.

We will also suggest approved suppliers for many of the items you will need to purchase. Lists of approved suppliers will be given to you before you begin operating your business. If you want to purchase products from suppliers other than those we have approved, you must request our approval before doing so. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you. In determining whether or not to approve a particular supplier, we will consider the availability of product from that supplier and from its competitors, delivery frequency and credit terms, reputation of the proposed supplier and its products, the supplier's compliance with licensing requirements, and the experience and

reputation of the supplier, as well as whether the product complies with our standards. We do not impose any fee either to you or the supplier for conducting this investigation. We will usually be able to tell you within 3 weeks whether or not the supplier is approved, but the time period will depend upon the cooperation we receive from the supplier in responding to our questions. We also have the right to revoke approval of a supplier at any time. We will notify you in writing if we determine to revoke approval of a previously approved supplier. There are only two items you must purchase or lease from specific suppliers. As part of our gift card program, we have designated a specific gift card processor that you must use. You also must lease your exterior store sign from us. We will lease that sign to you for \$55 per month. (See Item 6 and 11.) At this time, we do not have any other designated suppliers that you must use in your business. However, we may add other designated suppliers in the future, which could include us or our affiliates.

We did not receive any revenue last year from any required purchases by franchisees. However, our affiliates received revenues of ~~\$1,762,816~~ \$1,522,714 in ~~2022~~ 2023 from the sublease of stores to our franchisees. These were the only revenues we or our affiliates received last year from selling goods or services to our franchisees.

We have at times negotiated arrangements with many of our wholesale suppliers to allow our stores to cumulate their orders in order to receive maximum price discounts permitted by law. For example, if you want to purchase 5 cases of a particular product, but the best pricing is available only on 25 case purchases, we will attempt to cumulate your orders with the orders of other stores in order to obtain a total order of 25 cases. You will still purchase the product directly from the wholesaler, but to the extent we can cumulate these orders, you will receive the benefit of the better pricing available to our stores. These arrangements are available to our franchisees and to the stores owned by our affiliates. We do not provide any other special benefits to franchisees based on their use of any approved supplier and we do not receive rebates from any of our approved suppliers.

We have not arranged any purchasing cooperatives among our franchisees.

None of our officers own an interest in any of our approved suppliers other than our parent and affiliates (which are owned by 2 of our officers).

## 9. FRANCHISEE’S OBLIGATIONS

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

	<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
A.	Site selection and acquisition/lease	Sections 3(a), 8(a) and 9 of Franchise Agreement	Items 7, 11 and 12
B.	Pre-opening purchases/leases	Sections 9 and 10 of Franchise Agreement	Items 7 and 8

	<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
C.	Site development and other	Section 9 of Franchise	Items 6, 7 and 11
D.	Initial and ongoing training	Section 8 of Franchise Agreement	Item 11
E.	Opening	Section 10 of Franchise Agreement	Items 7 and 11
F.	Fees	Sections 3(c), 4, 5, 6, 7, 10(j), 13(c), 13(d), 17(c), and 21(f) of Franchise Agreement	Items 5 and 6
G.	Compliance with standards and policies/Operating Manual	Sections 6(f), 8(d), 10 and 13(a) of Franchise Agreement	Items 8 and 11
H.	Trademarks and proprietary information	Section 11 of Franchise Agreement	Items 13 and 14
I.	Restrictions on products/services offered	Section 10 of Franchise Agreement	Items 8, 11 and 16
J.	Warranty and customer service requirements	Section 10 of Franchise Agreement	Items 11 and 16
K.	Territorial development and sales quotas	Not Applicable	Item 12
L.	Ongoing product/service purchases	Section 13 of Franchise Agreement	Item 8
M.	Maintenance, appearance and remodeling requirements	Section 10 of Franchise Agreement	Items 8 and 11
N.	Insurance	Section 14 of Franchise Agreement	Item 7
O.	Advertising	Section 6 of Franchise Agreement	Items 6, 7, 8 and 11
P.	Indemnification	Section 22 of Franchise Agreement	Item 6
Q.	Owner's participation/management/staffing	Section 10 of Franchise Agreement	Items 11 and 15

	<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
R.	Records/reports	Sections 5(a)(1) and 13 of Franchise Agreement	Item 11
S.	Inspections/audits	Section 13 of Franchise Agreement	Item 6
T.	Transfer	Section 17 of Franchise Agreement	Item 17
U.	Renewal	Section 3(c) of Franchise Agreement	Item 17
V.	Post-termination obligations	Section 20 of Franchise Agreement	Item 17
W.	Non-competition covenants	Section 16 of Franchise Agreement	Item 17
X.	Dispute resolution	Section 21 of Franchise Agreement	Item 17
Y.	Other: Guaranty of franchisee obligations (Note 1)	Personal Guaranty (which follows the Franchise Agreement)	Item 15

(1) Each individual who is an owner of any business entity that is the franchisee must sign a personal guaranty of all the obligations of the franchisee. This Guaranty also includes an agreement to be bound by the confidentiality and noncompete provisions of the Franchise Agreement.

## 10. FINANCING

We do not offer direct or indirect financing. We do not guaranty any note, lease, or obligation you might incur.

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

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

Before you open your store we will:

(a) Designate the location of your store and provide a one mile designated territory surrounding the site of your store. (Franchise Agreement – Section 3).

(b) Consult with you to help you select a site for your store if you do not have a location at the time you sign the Franchise Agreement. Once you identify a proposed site that we approve, we will assist you in negotiating the lease for that store (Franchise Agreement – Sections 8(a) and (b)).

- (c) Make available to you an initial training program at no charge to you (Franchise Agreement – Section 8(c)).
- (d) Loan to you the confidential MGM® manuals, including an Operations Manual (Franchise Agreement – Section 8(d)). The Operations Manual has 313 pages. A copy of the Table of Contents of the Operations Manual is attached to this Disclosure Document as Exhibit I.
- (e) Provide to you a list of approved suppliers of signs, equipment, cash registers, point of sale materials, inventory, and other items necessary to operate your store (Franchise Agreement – Section 12(a)).
- (f) Lease to you, and install, one exterior sign we require for all stores (Franchise Agreement – Section 8(e)).

During the operation of your business, we will:

- (a) Develop and conduct (at your expense) an advertising campaign and promotional program to promote the opening of your store (Franchise Agreement – Section 6(d)).
- (b) At your request, assist you during the first year after you open your store in reviewing, downloading and printing the various monthly reports we recommend you use in managing your business (Franchise Agreement – Section 8(f)).
- (c) Provide suggested monthly or seasonal liquor and wine specials we will be featuring either in our advertising or in our affiliate-owned stores (Franchise Agreement – Section 8(g)).
- (d) Provide additional information as we deem appropriate on topics like market conditions, sales motivation, sales aids, advertising, and marketing (Franchise Agreement – Section 8(h)).

### Advertising and Marketing

We will maintain and administer the MGM® ~~Advertising~~/Marketing Fund (Franchise Agreement - Section 6(b)). Although you agree in the Franchise Agreement to contribute 2% of your Gross Receipts to this fund, as of the date of this Disclosure Document, we have only been requiring our franchisees to pay 1.2% of their Gross Receipts to this fund. These ~~Advertising~~/Marketing Contributions are accounted for separately from our other funds and are not used to pay any of our general operating expenses other than our cost of administering the ~~Advertising~~/Marketing Fund, including salaries and overhead in administering the ~~Advertising~~/Marketing Fund. The purpose of this fund is to conduct regional advertising and marketing campaigns to promote all MGM Wine & Spirits® stores in a particular region. No expenditures are made from the fund primarily to help us sell franchises. Any amounts that are not spent from the ~~Advertising~~/Marketing Fund in one year are carried forward for use in future years. We do not obtain a separate audit of the ~~Advertising~~/Marketing Fund. We have no other obligation to conduct advertising or marketing for your store.

The advertising we create with contributions to the ~~Advertising~~/Marketing Fund are created in-house and by local outside agencies. Our advertising consists primarily of social media and local and regional newspaper and Internet advertising, however we also use this fund to pay expenses related to the creation and operation of our gift and loyalty card program for the M.G.M. system, for Internet and social media promotions and for other marketing ventures. We do not try to ensure that expenditures from this fund are made in any geographic area in proportion to contributions made by stores in that area. We also expect you to conduct your own local advertising and marketing to promote your store. At the present time, we make copies of advertising and marketing materials we prepare available to our franchisees at their request. You may use any of the materials we provide to you or you may create your own materials. If you do create your own materials, you must obtain our approval before you use those materials, and you may not establish or have established a website, web page, or social media or social networking site, profile or account relating to or making reference to us, your store, or our system, without our approval. You do not have to participate in any local or regional advertising cooperative.

During the fiscal year ended December 31, ~~2022~~2023, most of our franchisees paid 1.2% of their Gross Receipts to this fund. In the case of stores that were sold to franchisees by one of our affiliates, in a number of cases, our affiliate made an arrangement with the franchisee, as part of the purchase price, to pay a portion of these fees. Three franchised stores located outside the scope of our present advertising campaign do not contribute to the fund, but instead must spend a minimum amount on advertising in their local market. All our company-owned stores are paying 1.2% of their Gross Receipts to this fund.

It is our responsibility to determine how contributions to the ~~Advertising~~/Marketing Fund are spent. We currently have an advisory council that advises us on the use of the ~~advertising/marketing~~Marketing funds, but they act only in an advisory capacity.

During the fiscal year ended December 31, ~~2022~~2023, expenditures from the ~~Advertising~~/Marketing Fund were made in the following categories:

Item	% Expended*
Production	<del>5.6%</del> <u>1.7%</u>
Media placement	<del>77%</del> <u>81.6%</u>
<u>Legal and accounting</u>	<u>2%</u>
Administrative expenses	<del>16.2%</del> <u>14.3%</u>
Other, including meals and travel	<del>1.3%</del> <u>0.4%</u>

\*All numbers are rounded to the nearest 0.1 percent. ~~Thus, the total appears to exceed 100% due to rounding.~~

### Store Opening

It is your obligation to select a site for your store; our obligation is only to decide whether or not to approve the site. We do not typically locate or select a site for you, or negotiate the

purchase or lease of a site, and we do not own premises and lease them to you. In deciding whether or not to approve a particular site, we will consider the size and location of space available, the demographics and density of the population in the trade area of the proposed site, competition in the vicinity of the proposed site, the cost of site acquisition and improvements, parking and general access to the site by potential customers, the availability of off-sale retail liquor licenses in that area, and the location of other MGM Wine & Spirits® stores. If we do not approve a site, you will not be able to open your store. If we do not approve a site within one year of the date of the Franchise Agreement, you have the right to terminate your Franchise Agreement and receive a refund of a portion of the Initial Franchise Fee you paid to us (see Items 5 and 7).

The typical length of time between the signing of the Franchise Agreement and the opening of your store is generally 4 to 8 months in the case of the conversion of an existing structure, and between 6 and 18 months for new stores. This time period can be affected by the time it takes to select a site and negotiate a lease, obtain financing, obtain required licenses, and obtain building permits and zoning variances, and by construction delays, or delays in the installation of equipment, fixtures, and signs. Although we approve your drawings and specifications for construction of your store, we do not review local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel or decorate your premises.

### Computer Systems

You must purchase (or lease) electronic cash registers for your business that we recommend. That system registers sales information, by category, such as liquor, wine, beer and miscellaneous items, and sales tax collected. It also registers customer counts and has the capacity to provide daily summaries of this information to you. The cost for a 2 register system as of the date of this Disclosure Document, including initial software, installation and taxes is approximately \$15,000. The cost for a 3 register system as of the date of this Disclosure Document is approximately ~~\$18,800~~20,000. We do not independently provide ongoing maintenance or upgrades to the system, but the system supplier provides upgrades and software maintenance at a cost of approximately \$1,200 a year for a 2 register system and \$1,800 a year for a 3 register system. The supplier will also provide configuration and training services at prices that vary, depending on the scope of the project, but are currently about \$1,500. You will also need a credit card processor for each cash register that you will get from your credit card provider. That equipment typically costs \$1,500 per register, plus an ongoing fee of \$15 per month. The processor will also charge per transaction processing fees. We will have independent access to your sales and other information through your cash register, and we will require you to provide periodic cash and sales summaries to us.

We and our affiliates do not have any obligation, and, to our knowledge, no third party has any obligation, to provide ongoing maintenance, repairs, upgrades, or updates to your cash register. However, you must upgrade/update the system whenever necessary to remain compliant with credit card processing requirements. There is no limitation on the number of those upgrades.

## Training

As described above, we provide an initial training program to you. As the owner of the franchise, you must attend this training program for the first franchise you purchase from us. If we approve a manager to operate the store for you, that manager must also attend this training program. The training includes training in our offices and our company-owned stores, and in your store. The training is provided approximately 30 to 90 days before the projected opening date of your store. If you are acquiring or converting an existing store, the training will be provided closer in time to the date you take possession of or open the store. We repeat this training periodically throughout the year, whenever we have new franchised stores opening in 90 days or less. We will use our various manuals as the principal instructional materials for these training programs. There is no charge for you or your manager to attend this program, but you are responsible for the compensation of any of your employees that attend the training, and for all travel and living expenses incurred while attending the program. You and your designated manager (if other than you) must complete this training program to our satisfaction before opening your store.

The following table will give you additional information about the content of the initial training program offered to MGM Wine & Spirits® franchisees during the fiscal year ended December 31, ~~2022~~2023:

### **TRAINING PROGRAM**

<u>Subject</u>	<u>Hours of Classroom Training</u>	<u>Hours of On-the-Job Training</u>	<u>Location (Note 1)</u>	<u>Principal Instructor</u>
Introduction to M.G.M.	2	0	Our training facility in St. Paul, MN	Paul Setter
Liquor Laws	1	2	Our training facility and/or your store	Paul Setter
Alcohol Management	1	2	Our training facility and/or your store	Paul Setter
Human Resources	1	0	Our training facility and/or your store	Dana Mudgett
Accounting	2	0	Our training facility and/or your store	Dana Mudgett
Marketing	0	6	Our training facility and/or your store	Paul Setter/ Todd Taylor/ <a href="#">Jeff Hammerschmidt</a>
Inventory	0	10	Our training facility and/or your store	Todd Taylor/ Paul <del>Setter</del> <a href="#">Setter</a> <a href="#">Jeff</a>

<u>Subject</u>	<u>Hours of Classroom Training</u>	<u>Hours of On-the-Job Training</u>	<u>Location (Note 1)</u>	<u>Principal Instructor</u>
Vendor Relations	0	3	Our training facility and/or your store	Paul Setter/ Todd <del>Taylor</del> <a href="#">TaylorJeff Hammerschmidt</a>
Customer Service Standards	0	16	Our training facility and/or your store	Paul Setter/ Todd Taylor/ <a href="#">Jeff Hammerschmidt</a>
Product Training	0	5	Our training facility and/or your store	Paul Setter/ Todd Taylor/ <a href="#">Jeff Hammerschmidt</a>
Store Management	0	18	Our training facility and/or your store	Paul Setter/ <a href="#">Jeff Hammerschmidt</a>
Total	7	62		

1. The on-the-job training is held at one of our company-owned stores in the Minneapolis-St. Paul area.

All of the instructors are members of the staff of our company or our affiliates, including store managers. Paul Setter oversees the training program. He is our President. Between 1983 and December 1991, he managed a store for one of our franchisees. He joined an affiliate of ours in January 1992, and since that time, has had titles of Operations Supervisor, Vice President – Sales and Marketing, and now President of our company. Dana Mudgett oversees the accounting and human resource training. Ms. Mudgett joined the accounting department of our affiliate in August 1996. She served as Controller of our company and our affiliate from February 2000 to September 2004, when she was appointed Vice President – Controller. Todd Taylor oversees the on-the job training. Mr. Taylor began working with an affiliate of ours, M.G.M. Wine & Spirits, Inc., in 1997 as a stock employee, until he was promoted to the position of store manager in 1998. He has also worked for over 10 years with Beverage Display Company, a promotional firm that works with off-sale retail liquor stores. He is currently their Vice President of Marketing. However, he continues to provide services to us in the training area, and has had prior roles with our affiliates in store set up, mechanical operations, and training. [Jeff Hammerschmidt was appointed as our Operating Manager in June 2023. He began working in a franchised M.G.M. Wine & Spirits store in 2014, and became manager of a store owned by one of our affiliates in 2016.](#) Store managers and other employees of our company-owned stores will assist in providing the in-store training.

If your state licensed beverage association provides training in compliance with state alcoholic beverage laws, we will require you to attend that training program at your expense at least once each year. However, we do not provide this training.

## 12. TERRITORY

The Franchise Agreement gives you the right to operate a retail store in one location in a territory we will designate at the time you sign the Franchise Agreement. In some cases, the site of your store will be designated at the time you sign the Franchise Agreement; in other cases, we will only designate a territory at the time you sign the Franchise Agreement, and we will have the right to approve the location you select within that area as the site of your store. You do not have an option, right of first refusal, or similar right to acquire additional franchises in this designated territory.

We designate 1 mile from your store as your designated territory. We will not place an off-sale retail liquor store under the MGM Wine & Spirits® name within your designated territory, or grant a franchise to anyone to operate an off-sale retail liquor store using the MGM Wine & Spirits® name from a facility located within your designated territory. This distance is measured by the shortest route an automobile would travel when driving away from your store on roads open at the time your store opens. If you close or relocate your store, your designated territory will expire, unless we and you agree on a new designated territory surrounding any new store you open.

We and our affiliates reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales of goods and services to customers within your designated territory, and in any other area we choose, using the MGM Wine & Spirits® mark or any other marks. We have no obligation to pay you any compensation for soliciting or accepting any orders from inside your designated territory.

As of the date of this Disclosure Document, we and our affiliates have not and do not plan to, establish franchise or company-owned stores selling or leasing similar products or services under a different trademark, but we reserve the right to do so, whether by starting another brand, acquiring another brand, or being acquired. We also have the right to operate or grant a franchise to operate a store at any location outside your territory, even if that store competes for customers in your designated territory, and we have no obligation to pay you any compensation for doing so.

We do not prevent any of our stores from advertising their business, or soliciting customers, outside their designated territory. You may solicit or accept orders from consumers outside of your designated territory, and you have the right to use other channels of distribution such as the Internet and social media (both subject to our approval), catalog sales and other direct marketing, to make sales outside of your designated territory.

We may not unilaterally alter your designated territory. There are no minimum quotas required and continuation of your rights in your designated territory does not depend on achieving a certain sales volume, market penetration or other contingency; as long as your Franchise Agreement is in effect, you will retain the rights described in this paragraph. If you desire to relocate your business, you must obtain our prior consent. The new location must be in your designated territory, it must not be within 1 mile of any other MGM Wine & Spirits® store, and the site must meet our then current site criteria.

### **13. TRADEMARKS**

The Franchise Agreement gives you the right to operate an off-sale retail liquor store under the service mark, MGM Wine & Spirits®. We obtained the right to use these marks, and to license others to use these marks, and the service mark, MGM®, under a License Agreement dated October 16, 1995, between us and our parent company, M.G.M. Wine & Spirits. Under the terms of that agreement, M.G.M. Wine & Spirits may continue to open company-owned stores under these marks, provided they do not do so within any designated territory granted to any of our franchisees. We are not restricted in the way in which we use these marks, and we therefore essentially have all the rights of the owner to license or franchise others to use these marks.

You must follow our rules when you use our marks. You cannot use any of our names or marks as part of a corporate name or in a domain name, account name, profile, or URL without our written approval, or with modifying words, designs or symbols, except for those we license to you. You may not use any of our names or marks for the sale of any unauthorized product or service or in a manner we have not authorized in writing.

M.G.M. Wine & Spirits registered the service mark MGM Wine & Spirits® on the Principal Register of the United States Office of Patents and Trademarks on July 9, 2002, Registration Number 2,592,857. It also registered the service mark, MGM® on the Principal Register on October 6, 1992, Registration Number 1,722,842.

All affidavits required to preserve and renew these marks have been filed. There are no agreements that limit our right to use or license the use of our marks. We are not aware of any infringing uses that could materially affect your use of our marks. If you learn of an infringement or challenge to your use of our marks, you must immediately notify us. We will take the action we think is appropriate. We are not obligated, by the Franchise Agreement or otherwise, to protect your right to use any marks. However, we will protect you against claims of infringement or unfair competition made against you from your use of our marks as long as you are properly using them. We will have the right in this situation to take any action we think is appropriate to handle the claim.

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

We reserve the right to adopt new marks at any time, or to change our marks. If we adopt new marks, or change our existing marks, you must use the new or modified marks, and discontinue the use of any marks we decide to change or discontinue.

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

There are no patents or pending patent applications that are material to the purchase of a franchise. We do claim copyright protection of our manuals, and to advertising and promotional materials, forms, and related materials that we produce, although these materials have not been registered with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement.

There are no currently effective determinations of the Copyright Office of the Library of Congress or any court regarding any of our copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will include information contained in our manuals, and in materials separately provided to you. You may use these materials, in the manner we approve, in the operation of your store during the term of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include any trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. This includes information about our sources of supply, and our recommendations on pricing. You may disclose this information to your employees, but only to the extent necessary to operate the business, and then only while your Franchise Agreement is in effect.

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

You must participate personally, on a full-time basis, in the operation of your store, unless otherwise approved by us. We do not usually make exceptions to this policy, unless you can demonstrate to our satisfaction that you have appointed a competent, qualified manager to operate the store and you will continue to supervise the manager's activities. If we do approve a manager, the manager must successfully complete our training program. The manager is not required to have any ownership interest in your business. Each of the owners of your business must personally guaranty your obligations to us.

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

You must offer for sale all of the items specified and described in our operations manual, and no other items may be sold in your store without our prior written approval. We have the right to change these items at any time. You may not operate any other business from your store. You are not limited in the customers you serve, but under state and federal law, you may not sell intoxicating beverages [or THC-infused products](#) to persons under 21 years old or [to](#) persons who appear to be intoxicated (see Item 1). Under state law, you may also be limited in the items you can sell in your store. In addition, in [some most](#) states, you cannot sell any intoxicating beverages [or other regulated products](#) for resale. There may be other restrictions imposed by state or local laws.

#### **17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

##### **THE FRANCHISE RELATIONSHIP**

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

	<u>Provision</u>	<u>Section in franchise or other agreements</u>	<u>Summary</u>
A.	Length of the franchise term	Section 3	20 years.
B.	Renewal or extension of the term	Section 3	If you have complied with all the terms and conditions of your Franchise Agreement, you may renew for an additional term of 20 years.
C.	Requirements for you to renew or extend	Section 3	You must tell us at least <del>7 months</del> <u>210 days</u> in advance, sign a new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), pay a \$5,000 renewal fee, and make necessary capital expenditures to renovate and modernize.
D.	Termination by you	Section 20(a)	You may terminate only if we default and do not cure our default after receiving notice from you.
E.	Termination by us without cause	None	Not applicable.
F.	Termination by us with cause	Section 20(b)	We may terminate only if you default.
G.	“Cause” defined - curable defaults	Section 20(b)	Most defaults can be cured within 30 days after notice (unless applicable state law provides for a longer period of time). Defaults that impair our goodwill must be cured within 24 hours after notice.
H.	“Cause” defined – non- curable defaults	Section 20(b)	Repeated violations of laws or regulations, unauthorized assignment, misrepresentation in applying for the franchise, multiple failure to submit financial information or to pay creditors, multiple underreporting of sales, loss of possession of the store,

	<u>Provision</u>	<u>Section in franchise or other agreements</u>	<u>Summary</u>
			revocation of your liquor license or suspension of your liquor license for a period exceeding 5 consecutive days or 10 total days in any 12-month period.
I.	Your obligations on termination/nonrenewal	Section 20	Obligations include complete deidentification, transfer to us of certain listings, websites, domain names and social media sites, and payment of amounts owed (also see R below).
J.	Assignment of contract by us	Section 17(a)	No restriction on our right to assign.
K.	“Transfer” by you – definition	Section 17(b)	Includes transfer of contract, sale, transfer or lease of business, or transfer of more than one-third of voting control.
L.	Our approval of transfer by you	Section 17	We have the right to approve all transfers but will not unreasonably withhold approval.
M.	Conditions for our approval of transfer	Section 17(c)	New franchisee must qualify and sign a new franchise agreement. Transfer fee required. You must also release any claims you have against us.
N.	Our right of first refusal to acquire your business	Section 18	We can match any offer for your business.
O.	Our option to purchase your business	None	Not applicable.
P.	Your death or disability	Section 17(c)	Your heirs can assume the business, but they must meet the requirements for transfer.

	<u>Provision</u>	<u>Section in franchise or other agreements</u>	<u>Summary</u>
Q.	Noncompetition covenants during the term of the franchise	Section 16	You may not own or be affiliated with another liquor store other than one operated under a valid franchise agreement with us.
R.	Noncompetition covenants after the franchise is terminated or expires	Section 16	For 2 years, you cannot operate a liquor store within 5 miles of the location of your prior store, or within 5 miles of any other MGM Liquor Warehouse® or MGM Wine & Spirits® store.
S.	Modification of the agreement	Section 23	No modifications without consent by all parties, but manuals are subject to change.
T.	Integration/merger clause	Section 23	Only the terms of our signed agreements are binding (subject to state law). Any representations or promises made outside this disclosure document and those agreements may not be enforceable.
U.	Dispute resolution by arbitration or mediation	Section 21	Except for certain claims, all disputes must be first submitted to nonbinding mediation. If they cannot be settled, they must be arbitrated in Minnesota.
V.	Choice of forum	Section 21	Litigation must be in Minnesota (subject to state law).
W.	Choice of law	Section 23	Minnesota law generally applies (subject to state law).

## 18. PUBLIC FIGURES

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

## 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.

The majority of MGM stores have sales floors of between 4,000 square feet and 10,500 square feet. The following represents financial information on Gross Receipts from ~~2022~~2023 for the franchised stores in our system that fall within those ranges and operated the entire year, grouped by smaller stores that consist of between 4,000 and 6,000 square feet, mid-size stores that consist of 6,300 to 8,000 square feet, and large stores that consist of between 8,100 and 10,500 square feet. (We also had 1 franchise store with significantly less than 4,000 square feet and 1 with significantly more than 10,500 square feet that we excluded from this report.)

### Smaller Stores – 4,000-6,000 Square Feet

In ~~2022~~2023, we had 8 franchised stores between 4,000 and 6,000 square feet that were operated by franchisees the entire year. The average Gross Receipts of these stores was ~~\$2,097,300~~\$2,113,825, and the median was ~~\$2,032,768~~\$2,000,042. 4 of the 8 stores, or 50%, exceeded the average. 6 of these 8, or 75%, stores had Gross Receipts exceeding \$1,600,000, 4 of the 8, or 50%, had Gross Receipts exceeding ~~\$2,300,000~~\$2,200,000, and 2 of the 8, or 25%, had Gross Receipts exceeding ~~\$3,000,000~~\$3,200,000. The oldest of these stores opened more than 30 years ago, and the newest opened in 2019. The highest Gross Receipts among these 8 stores was ~~\$3,438,857~~\$3,397,618, and the lowest was ~~\$1,038,242~~\$1,130,894.

### Mid-Size Stores – 6,300-8,000 Square Feet

In ~~2022~~2023, we had ~~13~~12 franchised stores between 6,300 and 8,000 square feet that operated the entire year. The average Gross Receipts of these stores in ~~2022~~2023 was ~~\$2,753,986~~\$2,763,257, and the median was ~~\$2,754,660~~\$2,853,117. 7 of these stores, or ~~54~~58%, exceeded the average. The highest Gross Receipts among these ~~13~~12 stores was ~~\$4,267,633~~\$4,359,391, and the lowest was ~~\$1,465,535~~—1,048,632. The oldest of these stores opened more than 30 years ago and the newest opened in 2017.

The following shows a breakdown of the number and percentage of the ~~13~~12 stores that achieved various levels of sales:

Gross Receipts	Number of the <del>13</del> <u>12</u> Stores That Exceeded Each Sales Level	Percentage of the <del>13</del> <u>12</u> Stores That Exceeded Each Sales Level
\$4,000,000+	2	<del>15%</del> <u>16.67%</u>
\$3,000,000+	5	<del>38%</del> <u>41.67%</u>
\$2,500,000+	8	<del>62%</del> <u>66.67%</u>
\$2,000,000+	<del>11</del> <u>10</u>	<del>85%</del> <u>83.33%</u>

### Large Stores – 8,100 – 10,500 Square Feet

In ~~2022~~2023, we had 65 franchised store locations between 8,100 and 10,500 square feet that were operated by franchisees the entire year. The average Gross Receipts of these stores was ~~\$3,286,567~~\$3,515,452, and the median was ~~\$3,422,963~~\$3,873,665. 3 of these 65 stores, or ~~50~~60%, exceeded the average. 43 of these 65 stores, or ~~67~~60%, had Gross Receipts exceeding \$3,000,000, and 2 of the 65 stores, or ~~33~~40%, had Gross Receipts exceeding \$4,000,000. The oldest of these stores opened more than 20 years ago, and the newest opened in ~~November~~2014. The highest Gross Receipts among these 65 stores was ~~\$4,459,366~~\$4,527,222, and the lowest was ~~\$1,941,209~~\$2,061,369.

#### Information Applicable to All the Above Subsets

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

In compiling the numbers for all of this Item 19, we relied upon the sales figures reported to us by our franchisees in paying their earned service fees and/or Advertising Contributions. (Gross Receipts shown in this Item 19 has the same meaning as the term Gross Receipts in our franchise agreement, which is total revenues, less refunds, credits, and sales tax.) Those sales figures are not audited.

Note that the numbers in the tables above only represent the Gross Receipts, or revenues, reported to us by our franchisees. These sales figures do not reflect the cost of goods, operating expenses like rent, wages, utilities and repairs, earned service fees or Marketing Contributions paid to us, or other costs or expenses that must be deducted from the Gross Receipts figures to calculate net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your MGM Wine & Spirits store. Franchisees or former franchisees, listed in this Disclosure Document, may be one source for this information.

This compilation of sales figures represents historic results and should not be construed as the actual or probable sales, that will be realized by any franchisee. In fact, sales will likely vary from one store to another based on a number of factors, including the location of the store, competition near the store, whether or not the store has reached maturity, the inventory level maintained in the store, the appearance of the store, and the level of service offered to customers. M.G.M. does not represent that you can expect to attain any specific level of sales.

Because we do not have accurate expense information from our franchisees, we are not able to provide information as to historic or projected gross or net profits.

We recommend a particular accounting method or system to you. This system is consistent with generally accepted accounting principles. To the best of our knowledge, each of the stores included in the above financial performance representation uses a uniform accounting method or system. Substantially the same services were offered to these stores as we will offer to new franchisees. All of these stores offered substantially the same products or services to the public as you are expected to offer.

Written substantiation for this financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, M.G.M. does not make any financial performance representations. 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 Paul Setter at 2550 University Avenue West, Suite 230S, St. Paul, Minnesota 55114, telephone: (651) 487-1006, the Federal Trade Commission, and the appropriate state regulatory agencies.

## 20. OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**

Systemwide Outlet Summary for Years <del>2020</del> 2021 to <del>2022</del> <sup>1</sup> 2023 <sup>1</sup>				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2020</del>	29	30	+1
	2021	30	29	-1
	2022	29	29	0
	<u>2023</u>	<u>29</u>	<u>27</u>	<u>-2</u>
Company Owned	<del>2020</del>	4	3	-1
	2021	3	3	0
	2022	3	3	0
	<u>2023</u>	<u>3</u>	<u>3</u>	<u>0</u>
Total Outlets	<del>2020</del>	33	33	0
	2021	33	32	-1
	2022	32	32	0
	<u>2023</u>	<u>32</u>	<u>30</u>	<u>-2</u>

1 All numbers are as of December 31 of each year.

**Table No. 2**

Transfers <sup>1</sup> of Outlets from Franchisee to New Owners (Other than to us or our affiliates) for Years <del>2020</del> 2021 to <del>2022</del> <sup>2</sup> 2023 <sup>2</sup>		
State	Year	Number of Transfers
Minnesota	<del>2020</del>	1
	2021	0
	2022	3
	<u>2023</u>	<u>3</u>
TOTAL	<del>2020</del>	1
	2021	0
	2022	3
	<u>2023</u>	<u>3</u>

1 Does not include transfers where beneficial ownership of less than 50% of the franchise did not change, circumstances where an individual transfers the franchise to his or her corporation or transfers to heirs.

2 All numbers are as of December 31 for each year.

**Table No. 3**

Status of Franchised Outlets for Years Ended <del>2020</del> , 2021, 2022 and <del>2022</del> <sup>2023</sup> <sup>1</sup>								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reason	Outlets at End of the Year
Minnesota	<del>2020</del>	<del>29</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>30</del>
	2021	30	0	0	0	0	1	29
	2022	29	0	0	0	0	0	29
	<u>2023</u>	<u>29</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>27</u>
Total	<del>2020</del>	<del>29</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>30</del>
	2021	30	0	0	0	0	1	29
	2022	29	0	0	0	0	0	29
	<u>2023</u>	<u>29</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>27</u>

1 All numbers are as of December 31 for each year.

**Table No. 4**

Status of Company-Owned Outlets for the Years <del>2020</del> <sup>2021</sup> to <del>2022</del> <sup>2023</sup> <sup>1</sup>							
State	Year	Outlets at Start of the Year	Outlets Opened During Year	Outlets Reacquired from Franchisee	Outlets Closed During Year	Outlets Sold to Franchisee	Outlets at Year End
Minnesota	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>	<del>3</del>
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>	<del>3</del>
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>

1 All numbers are as of December 31 for each year.

**Table No. 5**

Projected Openings as of December 31, <del>2022</del> <sup>2023</sup>			
State	Franchise Agreements Signed But Outlet Not Open as of December 31, <del>2022</del> <sup>2023</sup>	Projected New Franchised Outlets In <del>2023</del> <sup>2024</sup> <sup>1</sup>	Projected New Company-Owned Openings In <del>2023</del> <sup>2024</sup>
Minnesota	0	0-2	<del>0-2</del> <sup>1</sup>
Each other state	0	0-1	<del>0</del> <sup>1</sup>
TOTALS	0	0-2	<del>0-2</del> <sup>1</sup>

1 These are the stores we presently expect to open in ~~the next year~~<sup>2024</sup>. We continue to look for franchisees, particularly in Minnesota, but will open additional stores in other states if we find qualified franchisees.

We did not have any franchisees who transferred their franchise, had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily stopped doing business under the Franchise Agreement during the year ended December 31, ~~2022~~2023, or who have not communicated with us within 10 weeks of the date of this disclosure document, except as follows:

~~Montecore, LLC (transferred 2 stores)  
Bob Pederson and Cole Pederson  
Maple Grove  
Oly and Blia Her  
C&C Wine & Spirits, LLC  
Maplewood, MN  
715-551-4553~~

David and Dana Beth Weisman  
Hopkins, MN 55305  
612-386-3677

Marge Louis  
MML Company, L.L.C.  
Hampton, MN  
612-619-2943

~~Shree Ganesh, Inc. (transferred 1 store)  
Sahil S. Patel  
New Jersey (city unknown)  
609-402-7170  
651-303-5818~~

Jonathan Schumacher  
Stone Lake II, LLC and Stone Lake III, LLC  
Brentwood, TN  
612-760-5900

If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees; but be aware that not all such franchisees will be able to communicate with you.

We have created a franchise advisory council that advises us on advertising and other matters. That council is not a formal organization, and it does not have its own address, website, or telephone number.

A list of the names of all franchisees, and the address and telephone number of their stores, is attached as Exhibit C to this Disclosure Document.

## 21. FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D is a copy of our audited financial statements for the years ended ~~December 31, 2020~~, December 31, 2021, ~~and~~ December 31, 2022 and December 31, 2023.

## 22. CONTRACTS

Attached to this Disclosure Document as Exhibit E is a copy of the MGM Wine & Spirits® Store Franchise Agreement and a Guaranty to be signed by shareholders of a corporate or limited liability company franchisee. Also attached is an example of a release you must sign if you want to sell, assign or transfer your Franchise Agreement to an unrelated third party or to an entity or partnership that you do not own or control. Attached as Exhibit F is a Renewal Addendum that you will sign if you are renewing your franchise at this time. Attached as Exhibit G is a Transfer Form in the event of the sale, assignment or transfer of the Franchise Agreement. Attached as Exhibit H is a Sign Lease under which we will lease to you an exterior sign for your store.

## 23. RECEIPTS

The last two pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document. Please sign and date both receipts and return one to us.

**EXHIBIT A**  
**STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA

Notwithstanding anything to the contrary set forth in the M.G.M. Liquor Stores, Inc. Disclosure Document, the following provisions shall supersede and apply to all MGM Wine & Spirits® franchises offered and sold in the state of Minnesota:

1. Item 13 is hereby amended by the addition of the following language:

The Minnesota Department of Commerce requires that the Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the Franchisor's trademark infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of franchisee's use of the Franchisor's trademark except in accordance with the requirements of the franchise, and, as a condition to indemnification, franchisee must provide notice to Franchisor of any such claim within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has 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.

2. Item 17 is generally amended to include the follow language:

Minnesota Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring wavier of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or the franchisee's rights to any procedure, forum or remedies provided by the laws of the jurisdiction.

3. Item 17 is amended to provide that with respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute 80C.14 Subd. 3-5, which 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 non-renewal of the franchise agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

4. Item 17(m) is hereby amended by the addition of the following language:

If the laws of the State of Minnesota are applicable, the requirement that a franchisee sign a general release as a condition to franchisor approving a transfer of the Franchise Agreement may not be enforceable under Minnesota Statutes Chapter 80C.

5. Item 17(w) is hereby amended by the addition of the following language:

Minn. Stat. Section 80C.17, Subd. 5 requires that claims under Chapter 80C be commenced within 3 years of the date the cause of action accrues.

6. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

7. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

8. 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.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF WISCONSIN

Notwithstanding anything to the contrary set forth in the M.G.M. Liquor Stores, Inc. Disclosure Document or Franchise Agreement, the following provisions shall supersede and apply to all MGM Wine & Spirits® franchises offered and sold in the state of Wisconsin:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, non-renewal or substantial change in competitive circumstances of a dealership agreement without good cause. The law further provides that 90 days prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The Disclosure Document and Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provisions of the Franchise Agreement that are inconsistent with the Wisconsin Fair Dealership Law, Wis. Stat. Ch. 135.

Each provision of this addendum to the Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently without reference to this addendum.

**EXHIBIT B**

**STATE FRANCHISE ADMINISTRATORS AND REGISTERED AGENTS  
FOR SERVICE OF PROCESS**

**STATE FRANCHISE ADMINISTRATORS AND REGISTERED AGENTS FOR  
SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b><u>CALIFORNIA</u></b>	California Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 (866) 275-2677 Ask.DFPI@dfpi.ca.gov (email)	California Commissioner of Financial Protection and Innovation California Dept. of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 (866)275-2677
<b><u>HAWAII</u></b>	Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2744	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2722
<b><u>ILLINOIS</u></b>	Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-1090
<b><u>INDIANA</u></b>	Indiana Secretary of State Securities Division 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 200 W. Washington Street, Indianapolis, IN 46204 (317) 232-6531
<b><u>MARYLAND</u></b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
<b><u>MICHIGAN</u></b>	Michigan Office of the Attorney General Consumer Protection Division- Franchise Section 525 West Ottawa St. G. Mennen Williams <del>Bldg</del> Bldg, 1 <sup>st</sup> Floor Lansing, Michigan 48913 (517) 373-7117	Michigan Office of the Attorney General Consumer Protection Division- Franchise Section 525 West Ottawa St. G. Mennen Williams Bldg, 1 <sup>st</sup> Floor Lansing, Michigan 48913 (517) 373-7117
<b><u>MINNESOTA</u></b>	Department of Commerce – Securities Unit 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	<a href="#">Commissioner of Commerce</a> Minnesota Department of Commerce-Securities Unit 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b><u>NEW YORK</u></b>	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222	(651) 539-1600 New York Secretary of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 474-5741
<b><u>NORTH DAKOTA</u></b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol — <del>5<sup>th</sup></del> <u>Fourteenth</u> Floor, <u>Dept. 414</u> Bismarck, ND 58505-0510 (701) 328-2910	North Dakota Securities Department 600 East Boulevard Avenue State Capitol — <del>5<sup>th</sup></del> <u>Fourteenth</u> Floor, <u>Dept. 414</u> Bismarck, ND 58505-0510 (701) 328-4712
<b><u>RHODE ISLAND</u></b>	Dept. of Business Regulation Division of Securities 1511 Pontiac Ave. John O. Pastore Center – Building 68-2 Cranston, RI 02920 (401) 222-3048	Director of Department of Business Regulation 1511 Pontiac Ave. John O. Pastore Center Building 68-2 Cranston, RI 02920 (401) 222-3048
<b><u>SOUTH DAKOTA</u></b>	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Department of Labor and Regulation Director of South Dakota Division of Insurance 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
<b><u>VIRGINIA</u></b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, First Floor Richmond, VA 23219 (804) 371-9967
<b><u>WASHINGTON</u></b>	Department of Financial Institutions Securities Division PO Box <del>9033</del> <u>41200</u> Olympia, WA <del>98507</del> <u>98504</u> (360) 902-8760	Department of Financial Institutions Securities Division – 3 <sup>rd</sup> Floor 150 Israel Road SW Tumwater, WA 98501 (360) 902-8700
<b><u>WISCONSIN</u></b>	Dept. of Financial Institutions Division of Services 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139	Administrator, Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

EXHIBIT C

MGM WINE & SPIRITS® STORES

Franchise Stores

Open as of December 31, ~~2022~~2023

NAME	STREET ADDRESS	CITY, STATE, ZIP	TELEPHONE
Four Stars Enterprises, Inc.	255 Highway 10	Blaine, MN 55434	(763) 785-1534
MS Behr Enterprises, LLC	629 W. 98th Street	Bloomington, MN 55420	(952) 881-4145
Palace Wine & Spirits, Incorporated	3701 W. Old Shakopee Road, Suite 500	Bloomington, MN 55431	(952) 888-9421
<del>Stone Lake III</del> <a href="#">Willar Liquor, LLC</a>	3050 Highway 13 West	Burnsville, MN 55337	(952) 882-6255
Kleinprintz Liquors, LLC	7856 Market Blvd.	Chanhassen, MN 55317	(952) 937-9300
JDK Liquors Chaska, Inc.	210 Pioneer Trail	Chaska, MN 55318	(952) 361-9606
The Big Lake Spirits Company	10575 Wyoming Avenue	Chisago City, MN 55013	(651) 257-3492
Four Browns, LLC	404 Schilling Drive North	Dundas, MN 55019	(507) 366-6460
RCJC Enterprises, LLC	4182 Pilot Knob Road	Eagan, MN 55122	(651) 454-3346
KSIALL Company, LLC	2009 West Broadway #100	Forest Lake, MN 55025	(651) 464-5790
FTL Corporation	495 17th Avenue North	Hopkins, MN 55343	(952) 935-0601
KSIALL Company	5541 140 <sup>th</sup> Street North	Hugo, MN 55038	(651) 407-1712
Dembouski, Inc.	201 South Victory Drive	Mankato, MN 56001	(507) 625-2420
VZ Inc.	16475 96th Avenue North	Maple Grove, MN 55311	(763) 494-4911
Dembouski, Inc.	1755 Commerce Drive	North Mankato, MN 56003	(507) 387-2634
<del>Gengreen LLC</del> <a href="#">Shree Garnesh, Inc.</a>	3900 Vinewood Lane North	Plymouth, MN 55441	(763) 557-1080
<del>Stone Lake II, LLC</del>	<del>14173 Commerce Avenue NE</del>	<del>Prior Lake, MN 55372</del>	<del>(952) 226-5900</del>
<del>MML Company,</del> <a href="#">Supreme Spirits LLC</a>	3237 S. Service Drive	Red Wing, MN 55066	(651) 388-4118
Lustrous Spirits, Inc.	1149 Larpenteur Avenue West	Roseville, MN 55113	(651) 488-6685
Wine & Spirits by JD, Inc.	5660 County Road 19	Shorewood, MN 55331	(952) 401-2270
JDK Liquors, Inc.	4659 Shoreline Drive	Spring Park, MN 55384	(952) 471-2454

EXHIBIT C

MGM WINE & SPIRITS® STORES  
Franchise Stores  
Open as of December 31, ~~2022~~2023

NAME	STREET ADDRESS	CITY, STATE, ZIP	TELEPHONE
<del>David Weisman and Dana Beth Weisman*</del>	<del>8100 Highway 7</del>	<del>St. Louis Park, MN 55426</del>	<del>(952) 935-2265</del>
FTL Corporation	275 White Bear Avenue	St. Paul, MN 55106	(651) 776-5976
Dembouski, Inc.	100 North Minnesota Avenue	St. Peter, MN 56082	(507) 934-8964
Krekd Incorporated	1050 E. Highway 96	Vadnais Heights, MN 55126	(651) 653-3456
JDK Liquors, Inc.	825 Marketplace Drive	Waconia, MN 55387	(952) 442-3800
FTL Corporation	1690 South Robert Street	West St. Paul, MN 55118	(651) 455-4474
Rimkus Corporation	850 Menard Road	Winona, MN 55987	(507) 452-1099
<del>C&amp;C Wine &amp; Spirits, LLC</del> <u>TLC Liquor's L.L.C.</u>	4444 Highway 61	White Bear Lake, MN 55110	(651) 426-1137

~~\*The landlord for this store has the option of terminating the lease for the store as of May 31, 2023, and is expected to exercise that option. If the landlord does exercise the option, the franchise agreement for this store will terminate at that time under an agreement we have with the franchisee.~~

Stores Owned by Affiliates of M.G.M. [as of December 31, 2023](#):

<b>NAME</b>	<b>STREET ADDRESS</b>	<b>CITY, STATE, ZIP</b>	<b>TELEPHONE</b>
M.G.M. Wine & Spirits, Inc.	1012 County Road 42 West	Burnsville, MN 55337	(952) 435-5000
M.G.M. Wine & Spirits, Inc.	3058 Excelsior Boulevard	Minneapolis, MN 55416	(612) 922-1130
M.G.M. Wine & Spirits, Inc.	4950 County Road 101	Minnetonka, MN 55345	(952) 470-2062

EXHIBIT D  
FINANCIAL STATEMENTS

**M.G.M. LIQUOR STORES, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 and 2022

# M.G.M. LIQUOR STORES, INC.

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## **INDEPENDENT AUDITORS' REPORT**

To the Stockholder of  
M.G.M. Liquor Stores, Inc.

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

#### ***Opinion***

We have audited the financial statements of M.G.M. Liquor Stores, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and retained earnings and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of M.G.M. Liquor Stores, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of 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 ("GAAS"). 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note A to the financial statements, in 2023, the Company adopted new accounting guidance for the allowance for credit losses in accordance with Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*EisnerAmper LLP*

EISNERAMPER LLP  
Minneapolis, Minnesota  
March 21, 2024



# M.G.M. LIQUOR STORES, INC.

## Balance Sheets

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 135,193	\$ 232,881
Restricted cash	234,609	540,472
Accounts receivable, net of allowance for credit losses of \$31,000 and \$230,000, respectively	251,005	187,136
Notes receivable, current portion	72,475	12,082
Related party receivables	<u>991,012</u>	<u>773,247</u>
Total current assets	1,684,294	1,745,818
Property and equipment, net	-	625
Notes receivable, net of current portion	105,327	17,721
Related party note receivable and accrued interest	347,248	335,226
Operating lease right-of-use assets, net	65,484	90,741
Other assets	<u>5,137</u>	<u>5,137</u>
Total assets	<u>\$ 2,207,490</u>	<u>\$ 2,195,268</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 101,570	\$ 59,975
Accrued expenses	167,755	163,476
Deferred revenue, current portion	33,316	205,316
Operating lease liabilities, current portion	22,854	25,302
Advertising/marketing fund	<u>1,222,950</u>	<u>1,227,871</u>
Total current liabilities	1,548,445	1,681,940
Deferred revenue, net of current portion	362,369	337,102
Operating lease liabilities, net of current portion	<u>42,040</u>	<u>65,439</u>
Total liabilities	<u>1,952,854</u>	<u>2,084,481</u>
Commitments and contingencies (see Note I)		
Stockholder's equity:		
Capital stock, \$1 par value; authorized 25,000 shares, issued and outstanding 1,000 shares	1,000	1,000
Additional paid-in capital	100,077	100,077
Retained earnings	<u>153,559</u>	<u>9,710</u>
Total stockholder's equity	<u>254,636</u>	<u>110,787</u>
Total liabilities and stockholder's equity	<u>\$ 2,207,490</u>	<u>\$ 2,195,268</u>

## M.G.M. LIQUOR STORES, INC.

### Statements of Income and Retained Earnings

	Year Ended December 31,	
	2023	2022
Revenue	\$ 2,287,447	\$ 2,338,607
Operating expenses	<u>1,357,633</u>	<u>1,372,182</u>
Operating income	929,814	966,425
Interest and other income, net	<u>131,243</u>	<u>82,721</u>
<b>Net income</b>	<u>1,061,057</u>	<u>1,049,146</u>
<b>Retained earnings:</b>		
Beginning of year	9,710	10,564
Cumulative effect of change in accounting principle (adoption of ASU 2016-13)	<u>182,792</u>	<u>-</u>
Beginning of year after cumulative effect of change in accounting principle	192,502	10,564
Dividends to Parent	<u>(1,100,000)</u>	<u>(1,050,000)</u>
End of year	<u>\$ 153,559</u>	<u>\$ 9,710</u>

# M.G.M. LIQUOR STORES, INC.

## Statements of Cash Flows

	Year Ended December 31,	
	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,061,057	\$ 1,049,146
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	(16,208)	44,000
Depreciation	625	812
Interest accrued on related party receivables	(115,226)	(77,415)
Interest accrued on notes receivable	(12,022)	(5,360)
Change in right-of-use assets	25,257	31,539
Changes in operating assets and liabilities:		
Accounts receivable	135,131	(56,554)
Notes receivable	(147,999)	10,491
Accounts payable	41,595	23,639
Accrued expenses	4,279	1,412
Deferred revenue	(146,733)	186,267
Operating lease liabilities	(25,847)	(31,539)
Advertising/marketing fund	(4,921)	81,048
Net cash provided by operating activities	<u>798,988</u>	<u>1,257,486</u>
<b>Cash flows from investing activities:</b>		
Advances to related parties	<u>(1,202,539)</u>	<u>(1,127,815)</u>
<b>Net (decrease) increase in cash and restricted cash</b>	<b>(403,551)</b>	<b>129,671</b>
Cash and restricted cash at beginning of year	<u>773,353</u>	<u>643,682</u>
<b>Cash and restricted cash at end of year</b>	<b>\$ <u>369,802</u></b>	<b>\$ <u>773,353</u></b>

# M.G.M. LIQUOR STORES, INC.

## Notes to Financial Statements December 31, 2023 and 2022

### NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Description of business:

M.G.M. Liquor Stores, Inc. (the "Company"), a wholly owned subsidiary of M.G.M. Wine & Spirits, Inc. ("Parent"), is in the business of offering franchise rights to use the MGM Wine & Spirits name and concept to franchisees and providing continuing franchise services in exchange for related fees. Initial franchise agreements generally have a 20-year term. In most cases, all obligations of the franchisee to the Company and its affiliates are personally guaranteed by the owner(s) of the franchisee. The Company is registered to sell franchises by the states of Minnesota and Wisconsin. At December 31, 2023 and 2022, there were 27 and 29 franchise locations, respectively. In addition, M.G.M. Wine & Spirits, Inc. and Affiliates owned three operating stores at December 31, 2023 and 2022, and had one additional store ready to open at December 31, 2023, which opened in January 2024 after obtaining its liquor license.

The Company, under the terms of its existing franchise agreements, generally performs the following:

- Coordinates advertising programs for all franchisees;
- Maintains an advertising/marketing fund from which advertising and marketing costs are to be disbursed;
- Provides an initial training program for each new franchisee and supplies them with an operations manual;
- Provides periodic training courses for all franchisees; and
- Makes lists of approved suppliers available to franchisees.

#### [2] Use of estimates:

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. The Company's most significant estimate is the allowance for credit losses.

#### [3] Recently adopted accounting guidance:

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. Prior U.S. GAAP contained an incurred loss methodology for recognizing credit losses and delayed the recognition until it was probable that a loss had been incurred. ASU 2016-13 prescribes an approach based on expected losses to estimate credit losses on certain types of financial instruments (including trade receivables).

The Company adopted ASU 2016-13 effective January 1, 2023 using the modified retrospective method for all financial assets measured at amortized cost which consisted of accounts receivable and notes receivable. Results for the year ended December 31, 2022 continue to be reported in accordance with previously applicable U.S. GAAP. The cumulative effect of the changes made to the balance sheet at January 1, 2023 for the adoption of ASU 2016-13 was as follows:

	<u>Balance as of January 1, 2023</u>	<u>Adjustments due to ASU 2016-13</u>	<u>Balance as of January 1, 2023</u>
<b>Assets</b>			
Accounts receivable, net	\$ 187,136	\$ 182,792	\$ 369,928
<b>Equity</b>			
Retained earnings	\$ 9,710	\$ 182,792	\$ 192,502

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [4] Revenue recognition:

Revenue is recognized when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration the Company expects to receive in exchange for the goods or services (the transaction price). The Company measures revenue by estimating the transaction price based on the consideration specified in the client contract.

The Company has a single performance obligation within each franchise agreement, which is the overall process of providing rights of the franchise to the franchisees. Initial upfront activities for new franchisees, including renewal and franchise transfer activities, do not represent a separate performance obligation because such activities are not separable from, and are highly interrelated with, the franchise rights. In addition, advertising and marketing activities do not represent a separate performance obligation because such activities are part of the overall obligation to enhance the franchise brand and are not separable from the franchise rights. The Company does not have any variable consideration, as earned service fees and advertising/marketing fees are subject to the sales-based royalties exception. Additionally, because there is one performance obligation to provide rights to the franchise agreement and the Company is the principal in this group of services, all revenues are reported on a gross basis.

Revenues from ongoing service fees and marketing/advertising fees are based on a percentage of each franchisees' revenues and are recognized as those related franchisee sales occur, and a liability is simultaneously accrued for the amounts required to be spent on qualifying advertising activities. Initial upfront fees in connection with services provided to new franchisees and for renewals and transfers of franchisee agreements are recognized over the related terms of the franchise agreements. Services to franchisees are billed as incurred and generally have short-term payment terms. From time to time, certain franchisees prepay service fees, which are deferred and amortized over the related service period.

Revenue recognized during the years ended December 31, 2023 and 2022 was comprised of the following:

	Year Ended December 31,	
	2023	2022
Amortization of initial upfront franchise fees recognized over time	\$ 31,733	\$ 48,733
Sales-based service and advertising/marketing royalties	<u>2,255,714</u>	<u>2,289,874</u>
Total revenues	<u>\$ 2,287,447</u>	<u>\$ 2,338,607</u>

The Company adopted the practical expedient to not record financing components for contracts that have less than a 12-month delay between the Company's performance and the customer's payment.

The Company had net accounts receivable balances of \$251,005, \$187,136, and \$174,582 as of December 31, 2023, 2022, and 2021, respectively.

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [4] Revenue recognition: (continued)

The Company had the following contract liabilities:

	<u>December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Gift cards	\$ 139,273	\$ 134,566	\$ 136,379
Prepaid earned service fees	-	175,000	-
Deferred initial upfront franchise fees	<u>395,685</u>	<u>367,418</u>	<u>356,151</u>
Total	<u>\$ 534,958</u>	<u>\$ 676,984</u>	<u>\$ 492,530</u>

Gift card liabilities are recorded within accrued expenses. Prepaid earned service fees and deferred initial upfront franchise fees are recorded within deferred revenue.

##### [5] Credit risk on cash and restricted cash held at banks:

The Company maintains cash and restricted cash balances with banks insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company had cash balances on deposit with banks at December 31, 2023 that exceeded the balance insured by the FDIC by approximately \$49,000. The Company has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on cash held at these banks.

##### [6] Restricted cash:

The Company has a restricted cash account to fund gift cards that are redeemed by corporate owned stores and franchisees. In addition, the Company records advertising fees received through the advertising/marketing fund as restricted cash as the cash is utilized solely for advertising and/or marketing purposes. At December 31, 2023 and 2022, approximately \$139,000 and \$135,000, respectively, was restricted to fund redeemable gift cards. At December 31, 2023 and 2022, approximately \$95,000 and \$405,000, respectively, was for advertising and marketing expenses to be incurred by the restricted advertising/marketing fund.

##### [7] Accounts receivable and notes receivable:

Credit terms are extended to customers, primarily franchisees, in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial conditions and generally requires no collateral. Payment terms are customer specific and are typically 7 to 30 days.

The Company maintains an allowance for credit losses for accounts receivable, which is recorded as an offset to accounts receivable, and changes in such are classified as an operating expense in the statements of income and retained earnings.

The Company's notes receivable are generally collateralized and/or guaranteed and therefore the Company has concluded that its exposure to credit losses on notes receivable is immaterial to the financial statements.

At December 31, 2023, the Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when specific customers are identified with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status and makes judgments about the creditworthiness of customers based on ongoing credit evaluations. Customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions are considered.

## **M.G.M. LIQUOR STORES, INC.**

### **Notes to Financial Statements December 31, 2023 and 2022**

#### **NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[7] Accounts receivable and notes receivable: (continued)**

At December 31, 2022, the allowance for credit losses was determined based on the Company's estimate of probable losses to occur within recorded accounts receivable.

The allowance for credit losses on accounts receivable was approximately \$31,000 and \$230,000 as of December 31, 2023, December 31 2022, respectively.

##### **[8] Property and equipment:**

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally seven to ten years. Property and equipment held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized.

##### **[9] Leases:**

The Company determines if an arrangement is a lease at inception.

Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and long-term portion) on the accompanying balance sheets. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred, as applicable. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term.

The Company excludes short-term leases having initial terms of 12 months or less as an accounting policy election and recognizes rent expense for such leases on a straight-line basis over the lease term. The Company has also elected to use the risk-free rate as the discount rate when the rate within a lease is unknown.

Leases may include options to extend or terminate the lease, which are included in the ROU operating lease asset and operating lease liability when they are reasonably certain of exercise. Certain leases include lease and non-lease components, which are accounted for as one single lease component. Occupancy lease agreements, in addition to contractual rent payments, generally include additional payments for certain costs incurred by the landlord, such as building expenses and utilities. To the extent these are fixed or determinable, they are included as part of the minimum lease payments used to measure the operating lease liability. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the ROU asset and lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

##### **[10] Gift card fund:**

The Company has a system-wide gift card fund which consists of a restricted cash account to fund future gift card redemptions and gift card related costs, and a corresponding liability for those outstanding gift cards which will be redeemed in the future. There were approximately \$139,000 and \$135,000 of gift cards outstanding as of December 31, 2023 and 2022, respectively. Gift cards purchased by customers are not included in revenues at time of purchase. Franchisee and corporate store revenues are recognized when redeemed by the customer.

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Restricted advertising/marketing fund:

The Company has a system-wide marketing and advertising fund. Based on the location of the store, most franchisees are required to remit a designated portion of sales, currently 1.2%, to this fund, which is restricted and only to be used for marketing and advertising throughout the system. Corporate-owned stores currently also are contributing 1.2% of sales to the fund. The franchise agreement provides for reimbursement to the Company for the costs of administering the fund including accounting services, salaries, and fringe benefits incurred for this purpose.

##### [12] Income taxes:

The Company, with the consent of its stockholder, elected to be taxed as an S corporation under the Internal Revenue Code and applicable state regulations. Therefore, no provision for income taxes is included in these financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

##### [13] New accounting pronouncements:

The Company considers the applicability and impact of all ASUs. ASUs not discussed in these financial statements were assessed and determined to be either not applicable or are expected to have minimal impact on the financial statements.

##### [14] Reclassifications:

Certain comparative figures have been reclassified to conform with the current year financial statement presentation. These reclassifications had no effect on net income or stockholder's equity.

#### NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Furniture and fixtures	\$ 18,000	\$ 18,000
Less: accumulated depreciation	<u>18,000</u>	<u>17,375</u>
Property and equipment	<u>\$ -</u>	<u>\$ 625</u>

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE C - NOTES RECEIVABLE

Notes receivable represent franchisee trade receivable balances which were converted to notes receivable and a note receivable from a party related through common ownership.

Notes receivable consisted of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Note receivable and accrued interest from a party related through common ownership, amended January 1, 2023, with interest accruing at 3.85% and all principal and interest due on December 31, 2027. The note is secured by substantially all assets of the borrower and guaranteed by its members.	\$ 347,248	\$ 335,226
Note receivable from franchisee, due in monthly installments of \$1,000 including interest at 8.0%, through April 2025. The note is personally guaranteed by the franchise owner.	14,568	25,776
Note receivable from franchisee, due in monthly installments of \$170 including interest at 5.0%, through December 2025. The note is personally guaranteed by the franchise owner.	3,528	4,027
Note receivable from franchisee, due in monthly installments of \$5,502 including interest at 5.0%, through July 2026. The note is personally guaranteed by the franchise owner.	<u>159,706</u>	-
Total	525,050	365,029
Less: current portion	<u>72,475</u>	<u>12,082</u>
	452,575	352,947
Less: related party note receivable and accrued interest	<u>347,248</u>	<u>335,226</u>
Notes receivable, net of current portion	<u>\$ 105,327</u>	<u>\$ 17,721</u>

#### NOTE D - ACCRUED EXPENSES

Accrued expenses consisted of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Accrued compensation, related benefits and taxes	\$ 28,482	\$ 28,910
Gift card liabilities	<u>139,273</u>	<u>134,566</u>
Accrued expenses	<u>\$ 167,755</u>	<u>\$ 163,476</u>

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE E - DEFERRED REVENUE

From time to time, franchisees prepay earned franchise fees. These prepayments are recorded as deferred revenue and amortized on a straight-line basis over the related service periods. Upfront franchise fees are deferred and recognized over the term of the franchise agreement, generally 20 years.

Deferred revenue consisted of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Deferred upfront franchise fees	\$ 395,685	\$ 367,418
Prepaid earned franchise fees	<u>-</u>	<u>175,000</u>
Total	395,685	542,418
Less: current portion	<u>33,316</u>	<u>205,316</u>
Deferred revenue, net of current portion	<u>\$ 362,369</u>	<u>\$ 337,102</u>

#### NOTE F - LEASES

##### [1] Operating leases:

The Company maintains an operating lease agreement for office space in St. Paul, Minnesota. The lease expires in July 2027. Monthly base rent under this lease is approximately \$1,200 with increases over the life of the lease.

The Company also leases various equipment under operating leases with aggregate monthly rental payments of approximately \$1,000, which expire through October 2026.

Total operating lease expense was approximately \$28,000 and \$34,000 for the years ended December 31, 2023 and 2022, respectively. Cash paid on operating leases during the years ended December 31, 2023 and 2022 was approximately \$26,000 and \$34,000, respectively.

##### [2] Additional lease disclosures:

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023 was approximately as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 24,000
2025	17,000
2026	17,000
2027	<u>10,000</u>
	68,000
Amount representing interest	<u>(3,106)</u>
Total	<u>\$ 64,894</u>

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE F - LEASES (CONTINUED)

##### [2] Additional lease disclosures: (continued)

The following was reported as of December 31, 2023 and 2022:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current portion of operating lease liabilities	\$ 22,854	\$ 25,302
Operating lease liabilities, net of current portion	<u>42,040</u>	<u>65,439</u>
	<u>\$ 64,894</u>	<u>\$ 90,741</u>
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term in years – operating leases	3.2 years	4.0 years
Weighted average discount rate – operating leases	2.4%	2.27%

#### NOTE G - RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of the Parent and is one of a group of companies related through common ownership, family, or management. Transactions and balances with related parties were as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Reimbursement of administration expenses from the advertising/marketing fund	\$ 132,364	\$ 134,615
Reimbursement of travel costs from the advertising/marketing fund	3,432	9,792
Receivables from Parent - current	944,379	729,278
Receivable from company related through common ownership – current (former owner of one store)	46,633	43,969
Advertising/marketing contributions from Parent and common control companies	128,951	132,581
Advertising/marketing accounts receivable from Parent stores	11,015	11,813
Parent company receivables distributed to Parent	1,100,000	1,050,000
Interest income on amounts due to the advertising/marketing fund	51,282	23,396
Interest income on notes receivable and amounts from related parties	75,966	59,379
Note receivable and accrued interest from company under common ownership (current owner of one store)	347,248	335,226

The receivables from related parties are advances to those related parties using advertising/marketing fund dollars and are currently repayable to the Company as advertising/marketing fund dollars are spent.

## **M.G.M. LIQUOR STORES, INC.**

### **Notes to Financial Statements December 31, 2023 and 2022**

#### **NOTE H - CONCENTRATIONS**

At December 31, 2023 and 2022, the Company had receivables without contractual repayment terms from the Parent and other entities affiliated through common ownership with a net receivable amount of approximately \$1,349,000 and \$1,120,000, respectively, and total stockholder's equity was approximately \$255,000 and \$111,000, respectively. As amounts due to the Company from related parties are in excess of total stockholder's equity, the risk associated with such concentrations is significant in the event the related party entities become insolvent.

One franchisee accounted for 38% and 17% of total accounts receivable at December 31, 2023 and 2022, respectively. One franchisee accounted for approximately 16% and 15% of total revenue for the years ended December 31, 2023 and 2022, respectively.

#### **NOTE I - COMMITMENTS AND CONTINGENCIES**

From time to time in the ordinary course of business, the Company may be named as a defendant in legal proceedings related to various issues, including without limitation, tort claims or contractual disputes.

The Company is listed as a co-borrower of borrowings of \$1,084,822 of the Parent at December 31, 2023.

The Company is a guarantor on a loan of \$127,000 of a company related through common ownership at December 31, 2023.

#### **NOTE J - RESTRICTED ADVERTISING/MARKETING FUND**

The Company administers a restricted advertising/marketing fund for marketing and advertising purposes for corporate and franchise locations and is reimbursed for the cost of doing so. Reimbursement of expenses incurred by the Company under this arrangement for administration, travel, and other costs was approximately \$136,000 and \$144,000 in 2023 and 2022, respectively.

Amounts earned for advertising/marketing contributions from franchisees and corporate stores by the advertising/marketing fund in 2023 and 2022 totaled approximately \$874,000 and \$908,000, respectively, and amounts paid for marketing and advertising by the fund totaled approximately \$805,000 and \$707,000, respectively. Interest and other fees earned by the fund was approximately \$62,000 and \$25,000 in 2023 and 2022, respectively.

Excess receipts of the advertising/marketing fund are shown as "advertising/marketing fund" as the funds are required to be spent in future periods by the franchisor. At December 31, 2023 and 2022, the fund's obligation was approximately \$1,223,000 and \$1,228,000, respectively.

At December 31, 2023 and 2022, the significant assets of the fund included restricted cash of approximately \$95,000 and \$405,000, respectively, and a receivable from the franchisor and one party under common control of approximately \$991,000 and \$773,000, respectively. In addition, franchisees owed the fund approximately \$215,000 and \$101,000, net of allowances for credit losses, as of December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, other liabilities of the fund consisted of accounts payable of approximately \$78,000 and \$51,000, respectively.

## M.G.M. LIQUOR STORES, INC.

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE K - SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Additional cash flow information consisted of the following:

	Year Ended December 31,	
	2023	2022
Non-cash operating, financing, and investing activities:		
Related party receivables distributed to Parent company	\$ 1,100,000	\$ 1,050,000
Accounts receivable and retained earnings adjustment for cumulative effect of change in accounting principle	182,792	-
Operating lease ROU assets and operating lease liabilities:		
Lease liabilities arising from obtaining ROU assets	-	72,359

The following table provides a reconciliation of the end of the year cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

	December 31,	
	2023	2022
Cash	\$ 135,193	\$ 232,881
Restricted cash	234,609	540,472
Total cash and restricted cash in the statements of cash flows	\$ 369,802	\$ 773,353

#### NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2024, the date the financial statements were available to be issued.

EXHIBIT E

FRANCHISE AGREEMENT, GUARANTY AND GENERAL RELEASE

MGM WINE & SPIRITS®  
FRANCHISE AGREEMENT

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MGM WINE & SPIRITS®  
FRANCHISE AGREEMENT

THIS AGREEMENT is made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between M.G.M. LIQUOR STORES, INC., a Minnesota corporation (the FRANCHISOR), and \_\_\_\_\_ (the FRANCHISEE).

1.) INTRODUCTION

The FRANCHISOR and its predecessor have developed certain policies, procedures and techniques which constitute a system of operating off-sale retail liquor stores under the commercial trade names and service marks “MGM®,” and “MGM WINE & SPIRITS®” and associated logos (the NAMES and MARKS). In the use and promotion of the NAMES and MARKS, the FRANCHISOR and its predecessor have developed concepts, programs and methods of promotional advertising to be used in the operation of off-sale retail liquor stores. The FRANCHISOR desires to grant to qualified persons franchises to use the concepts, programs and methods of promotional advertising developed by the FRANCHISOR and its predecessor and to conduct an off-sale retail liquor business utilizing exclusively the NAMES and MARKS selected, used, and promoted by the FRANCHISOR. The FRANCHISEE has made application to the FRANCHISOR for a Franchise and the application has been approved by the FRANCHISOR in reliance upon all of the representations made in the application.

2.) DEFINITIONS

The terms and phrases specified below shall have, for purposes of this Agreement, the following meanings:

(a) “System of Operation” shall mean the business plans and methods developed by the FRANCHISOR and its predecessor to be used in connection with the design, construction, organization and operation of off-sale retail liquor store. The “System of Operation” includes standards, specifications, methods, procedures, techniques, accounting systems, management systems, proprietary software, if any, identification schemes and information, all of which may be changed, improved and further developed from time to time by the FRANCHISOR.

(b) “NAMES and MARKS” shall mean the commercial trade names, trademarks, service marks, domain names, and other commercial symbols, including associated logos, now or hereafter selected, used or promoted by the FRANCHISOR in connection with its franchised system of off-sale retail liquor stores.

(c) “Franchise” shall mean the right granted to the FRANCHISEE by the FRANCHISOR to use the System of Operation and to use the NAMES and MARKS selected, used, and promoted by the FRANCHISOR in the operation of an off-sale retail liquor store.

- (d) "Term of the Franchise" shall mean the initial term of the Franchise.
- (e) "Franchised Store" shall mean the off-sale retail liquor store franchised under this Agreement to operate utilizing the System of Operation and the NAMES and MARKS.
- (f) "Gross Receipts" shall mean the total amount of revenues received by the FRANCHISEE from all business activities taking place at the Franchised Store, in the form of cash or credit, plus the fair market value of goods delivered and services rendered to the FRANCHISEE, or its designee, in consideration for goods and services provided in, from, or in conjunction with the Franchised Store. There shall be excluded from "Gross Receipts" bona fide refunds, credits given or allowed by the FRANCHISEE to customers for the return of merchandise and amounts collected from customers and remitted by the FRANCHISEE to any governmental taxing authority in satisfaction of sales or occupation taxes, but not any liquor taxes. There shall be excluded from "Gross Receipts" the amount of any proceeds of any lotto, lottery, or similar gaming sales that are remitted to a state, local, or federal government; provided, however, that commissions or bonuses received with respect to such sales shall be included in "Gross Receipts." "Gross Receipts" shall include items taken for the FRANCHISEE's use or given to employees or others, and such items shall be valued at their customary retail prices.

3.) GRANT OF FRANCHISE AND RENEWAL OF FRANCHISE

(a) Subject to the provisions of this Agreement, the FRANCHISOR grants to the FRANCHISEE a Franchise for an initial term of twenty (20) years, commencing on the date of this Agreement, to utilize the System of Operation and to use the NAMES and MARKS of the FRANCHISOR in the conduct of one off-sale retail liquor store under the name MGM Wine & Spirits. The Franchised Store shall be located at \_\_\_\_\_ . If this location becomes unavailable through no fault of the FRANCHISEE, or if no specific site is designated above, the FRANCHISOR shall have the right to approve any other site selected by the FRANCHISEE for the operation of the Franchised Store. The FRANCHISEE acknowledges that the FRANCHISOR's approval of a site is not an endorsement of that site or any assurance the site will prove to be a viable one from which to operate the Franchised Store.

(b) The FRANCHISOR hereby designates an area within one (1) mile of the approved site of the Franchised Store as the FRANCHISEE'S Designated Area. Except as set forth below, the FRANCHISOR will not, during the term of this Agreement, license any other franchisee to operate an MGM Wine & Spirits® store from, or establish any company-owned MGM Wine & Spirits® stores at, a location within the FRANCHISEE'S Designated Area. This one (1) mile area shall be measured by the shortest route an automobile would travel when driving away from the parking space nearest to the front door of the Franchised Store on routes open at the time the Franchised Store initially opens for business. The FRANCHISEE acknowledges that the foregoing restrictions do not prevent the FRANCHISOR or its affiliates from any activity not specifically set forth in the opening two sentences of this Paragraph 3(b), including, but not limited to:

- (1) Operating, or allowing others to operate, similar or identical businesses within the FRANCHISEE's Designated Area if such businesses do not operate under the Names and Marks; or
- (2) Operating, or allowing others to operate, a business using the Names and Marks that is physically located outside the FRANCHISEE's Designated Area even if such business competes for customers within the FRANCHISEE's Designated Area.

If the FRANCHISEE desires to relocate the Franchised Store, it must first obtain the FRANCHISOR's consent. If the FRANCHISEE loses possession of the site for the Franchised Store, or closes or relocates the Franchised Store, it shall no longer have a Designated Area unless the FRANCHISOR and the FRANCHISEE agree in writing to a new Designated Area, and that writing is signed by both the FRANCHISOR and FRANCHISEE and specifically refers to this provision.

(c) If, upon expiration of the Term of the Franchise, the FRANCHISEE has complied with all the provisions of the Franchise Agreement which is then expiring, has operated the Franchised Store utilizing and conforming to the System of Operation, has utilized exclusively the NAMES and MARKS in the operation of the Franchised Store and has upgraded the Franchised Store to meet the FRANCHISOR's then current standards, the FRANCHISEE shall have the option to renew the Franchise for an additional term of twenty (20) years.

- (1) To renew the Franchise, the FRANCHISEE must execute the FRANCHISOR's then current form of Franchise Agreement and all other agreements and legal instruments and documents then customarily employed by the FRANCHISOR in the grant of Franchises. No initial fee shall be charged in connection with the renewal of the Franchise, but the FRANCHISEE will be required to pay a renewal fee of Five Thousand Dollars (\$5,000) in connection with the renewal. This right of renewal does not give the FRANCHISEE the right to renew any specific provisions of this Agreement, and the FRANCHISEE recognizes that the terms of franchise agreements utilized by the FRANCHISOR upon renewal are likely to be substantially different than the terms presently offered by the FRANCHISOR. The FRANCHISEE shall give the FRANCHISOR not less than two hundred ten (210) days prior written notice of an election to renew the Franchise. Failure or refusal by the FRANCHISEE to execute all agreements and documents within thirty (30) days after delivery to the FRANCHISEE shall be deemed an election by the FRANCHISEE not to renew the Franchise.
- (2) If the FRANCHISOR does not provide the FRANCHISEE with notice of nonrenewal of the Franchise, but the FRANCHISEE does not sign a new Franchise Agreement prior to expiration of the Term of the Franchise, and the FRANCHISEE continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of the FRANCHISOR

this Agreement shall be deemed to (i) have expired as of the date of its stated expiration, with the FRANCHISEE then operating without a franchise to do so and in violation of the FRANCHISOR'S rights; or (ii) be continuing on a month-to-month basis (the "Interim Period") until one party provides the other with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, notwithstanding anything set forth herein to the contrary (i) all obligations of the FRANCHISEE shall remain in full force and effect during the Interim Period as if the Term of the Franchise had not expired, and (ii) all obligations and restrictions imposed on the FRANCHISEE upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

#### 4.) INITIAL FRANCHISE FEE

(a) In consideration of the right to use the NAMES and MARKS and the System of Operation in connection with the Franchised Store, the FRANCHISEE shall pay to the FRANCHISOR an Initial Franchise Fee of \_\_\_\_\_. Forty percent (40%) of the Initial Franchise Fee shall be due upon signing this Agreement; another twenty percent (20%) shall be payable upon approval of a site for the operation of the Franchised Store (but if a site has been approved as of the date this Agreement is signed, this amount shall also be due upon the signing of this Agreement); and the remaining forty percent (40%) of the Initial Franchise Fee shall be due prior to the date a lease for the premises of the Franchised Store is signed (or, in the case of the ownership of a site by the FRANCHISEE, prior to acquisition by the FRANCHISEE of the right to possession of the site). If the FRANCHISEE owns, or has a lease for, a site at the time this Agreement is signed, which is to be used for the Franchised Store, the Initial Franchise Fee shall be payable in full upon execution of this Agreement.

(b) The Initial Franchise Fee shall be deemed to have been earned by the FRANCHISOR at the time it is due. If, however, this Agreement is signed before a site for the Franchised Store is approved and no site is approved within one (1) year of the date of this Agreement, the FRANCHISEE may terminate this Agreement in the next year and receive a refund of all but twenty percent (20%) of the Initial Franchise Fee. If a site is approved but the FRANCHISEE is not able to acquire title to the site, either by purchase or lease, and the FRANCHISEE does not elect to obtain approval of an alternate site, the FRANCHISEE may terminate this Agreement any time in the next year if the FRANCHISEE does not ask for assistance in finding or approving sites and receive a refund of all but forty percent (40%) of the Initial Franchise Fee. (The percentages contained in this paragraph refer to percentages of the total Initial Franchise Fee and not to the portion of that fee that has been paid to date. Thus, in the case of an Initial Franchise Fee of Fifty Thousand Dollars (\$50,000), for which no site is ever approved, the FRANCHISOR shall be entitled to retain Ten Thousand Dollars (\$10,000) of the Initial Franchise Fee, even though that amount may represent fifty percent (50%) of the fee paid to date.) If the FRANCHISEE fails to (i) acquire title to a site, either by purchase or lease, for the Franchised Store within eighteen (18) months of the date of this

Agreement; or (ii) open the Franchised Store within two (2) years of the date of this Agreement, the FRANCHISOR may terminate this Agreement and retain the entire Initial Franchise Fee paid by the FRANCHISEE.

5.) EARNED SERVICE FEES AND GROSS RECEIPTS REPORTING

(a) On or before Tuesday of each calendar week, the FRANCHISEE shall pay to the FRANCHISOR a nonrefundable earned service fee of Four Thousand Eight Hundred Sixty Dollars (\$4,860) per week; provided, however, that so long as the FRANCHISEE timely reports its Gross Receipts to the FRANCHISOR, the fee payable shall not exceed two and two-tenths percent (2.2%) of the Gross Receipts of the Franchised Store for the preceding calendar week.

- (1) The FRANCHISEE shall provide the FRANCHISOR with weekly sales information from the Franchised Store and such other periodic financial and sales information relating to the business of the FRANCHISEE as from time to time may be reasonably required by the FRANCHISOR (including daily reports during holiday and other peak seasonal periods and periodic reports of inventory levels) to confirm the Gross Receipts and results of operation of the Franchised Store. All weekly information shall be delivered to the FRANCHISOR, by Tuesday of each week, in the form and by the means of communication authorized by the FRANCHISOR.
- (2) If the FRANCHISEE does not provide all weekly sales information required above, on a timely basis, and does not cure such failure within thirty (30) days of the due date for providing such information, then the earned service fee for the week in question shall be Four Thousand Eight Hundred Sixty Dollars (\$4,860) for that week, without regard to the level of Gross Receipts of the Franchised Store for such week.
- (3) In addition, if any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on account of the earned service fees payable under this Agreement, the FRANCHISEE shall pay to the FRANCHISOR as additional earned service fees a sum equal to the amount of such tax (but this provision shall not apply to any federal or Minnesota income taxes imposed upon the FRANCHISOR).
- (4) If this is the second or subsequent MGM franchise being acquired by the FRANCHISEE, and the Franchised Store has not previously been operated as an MGM Wine & Spirits or MGM Liquor Warehouse store, then so long as the FRANCHISEE is in compliance with all its obligations under this Agreement and under all other franchise agreements it has with the FRANCHISOR, and its affiliates are current in all fees owed to the Franchisor and its affiliates, the earned service fee for the first one hundred four (104) weeks of operation of the Franchised Store will not be more than one and two-tenths percent (1.2%) of the Gross Receipts of the Franchised Store for the preceding calendar week.

(b) The fixed weekly earned service fee payable by the FRANCHISEE shall be increased beginning on the first Tuesday of February 2027, 2032, 2037, and 2042 by multiplying the Four Thousand Eight Hundred Sixty Dollars (\$4,860) fee by a fraction, the denominator of which shall be the most recent Consumer Price Index figure, as hereinafter defined, published as of January 1, 2022, and the numerator of which shall be the most recent Consumer Price Index figure published prior to the date of the adjustment. As used herein the term "Consumer Price Index" shall mean the United States Department of Labor's Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, All Items (1982-84=100), or the successor of that index. Should the FRANCHISOR lack sufficient data to make a proper determination on the date of any adjustment, the FRANCHISEE is required to continue to pay the weekly earned service fee payable immediately prior to the adjustment date. As soon as the FRANCHISOR obtains the necessary data, it shall determine the fixed weekly earned service fee payable from and after such adjustment date and notify the FRANCHISEE of the adjustment in writing.

6.) ADVERTISING AND MARKETING

(a) On or before Tuesday of each calendar week, the FRANCHISEE shall pay to the FRANCHISOR a weekly "~~Advertising~~/Marketing Contribution" equal to two percent (2%) of the previous week's Gross Receipts of the Franchised Store. This fee may be decreased for all franchisees at the FRANCHISOR'S discretion. ~~Advertising~~/Marketing Contributions shall be deposited by the FRANCHISOR into an ~~Advertising~~/Marketing Fund.

(b) Expenditures from the ~~Advertising~~/Marketing Fund shall be made solely for the payment of expenses incurred in connection with the general promotion of the NAMES and MARKS and the MGM® franchise system, including: (i) the cost of formulating, developing and implementing media advertising campaigns, including Internet advertising and Internet search engine campaigns, and including the development and use of social media and social networking sites; (ii) the cost of formulating, developing and implementing promotional and public relations programs; (iii) the design, and updates and redesigns (but not administration) of the FRANCHISOR's websites, web pages, and social media and social networking sites, profiles and accounts; (iv) at the option of the FRANCHISOR, reimbursement of all or part of expenditures incurred by owners of stores contributing to the ~~Advertising~~/Marketing Fund for marketing activities approved by the FRANCHISOR, and/or the cost of purchasing promotional materials used in connection with promotional programs authorized by the FRANCHISOR and conduct of advertising, marketing and promotional campaigns authorized by the FRANCHISOR; and (v) the reasonable cost of administering the ~~Advertising~~/Marketing Fund, including accounting expenses, the cost of salaries and fringe benefits paid to the FRANCHISOR's employees engaged in administration of the ~~Advertising~~/Marketing Fund, and overhead allocated to advertising, marketing and promotional activities. All interest, if any, earned by the ~~Advertising~~/Marketing Fund shall be used for the payment of the foregoing expenses in connection with promotion of the NAMES and MARKS, before application of any principal to those expenses. Methods, media employed, contents of advertising, and terms and conditions of advertising and marketing campaigns and promotional programs shall be within the sole discretion of the FRANCHISOR.

(c) Expenditures from the ~~Advertising~~/Marketing Fund shall not be made for the payment of expenses incurred that is principally for the purpose of the FRANCHISOR's marketing of franchise licenses.

(d) The FRANCHISOR shall develop and conduct an advertising campaign and promotional program in connection with the opening of the Franchised Store. The FRANCHISEE shall reimburse the FRANCHISOR for any out-of-pocket expenses, except salaries paid to the FRANCHISOR's employees, incurred by the FRANCHISOR in connection with the opening advertising campaign and promotional program.

(e) At its own expense, the FRANCHISEE may conduct advertising and marketing campaigns and promotional programs designed primarily to promote the Franchised Store (Local Marketing). Prior to implementing any Local Marketing, the FRANCHISEE shall submit to the FRANCHISOR for approval all advertising, marketing and promotional materials proposed to be used in connection with the Local Marketing.

(f) The FRANCHISEE may not establish or maintain, or have established or maintained on its behalf, either alone or in concert with others, any website, web page, social networking and/or social media website, profile, account or username, or other Internet site or content, relating to or making reference to the FRANCHISOR, the Franchised Store, or the System of Operation (each, a "Social Media Site"), except as the FRANCHISOR may approve, in its sole discretion. The FRANCHISEE will comply with all directives from the FRANCHISOR with respect to any Social Media Site approved by the FRANCHISOR, including those related to materials posted on a Social Media Site, links to and from a Social Media Site, the use of the NAMES and MARKS on a Social Media Site, and security for a Social Media Site. In addition, any Social Media Site approved by the FRANCHISOR must be operated and maintained by the FRANCHISEE in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards and requirements that the FRANCHISOR may specify from time to time. The FRANCHISEE must also maintain any Social Media Site approved by the FRANCHISOR in compliance with all applicable laws, rules and regulations, including without limitation those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements. The FRANCHISOR reserves the right at any time, in its sole discretion, to require the FRANCHISEE to remove, delete or modify any Social Media Site, or information, content or posts thereon. The FRANCHISOR will retain sole ownership of any Social Media Site, including the domain name and any content related thereto, which includes all or a portion of any of the NAMES and MARKS, or any word, phrase or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, account profile, or page reference (a "M.G.M. Social Media Site").

(g) The FRANCHISOR shall have the right to photograph, and to make videos and other recordings of the Franchised Store's exterior and interior, and to use such photographs, videos and other recordings in any advertising or promotional material, in any form or medium now existing or later developed. The FRANCHISOR may use the foregoing without providing notice to the FRANCHISEE or receiving the

FRANCHISEE's consent, and the FRANCHISOR shall not be obligated to compensate the FRANCHISEE for use of the foregoing. The FRANCHISEE shall cooperate in securing photographs, videos and other recordings of the Franchised Store and the consent of persons appearing in such photographs, videos or other recordings. The FRANCHISEE irrevocably assigns to the FRANCHISOR all of its right, title, and interest, if any, in and to all such photographs, videos and other recordings, together with all related intellectual property rights.

(h) The FRANCHISOR reserves the right to engage the professional services of an advertising agency which is owned by, or is an affiliate of, the FRANCHISOR or any of its principals.

(i) Advertising and marketing materials, forms, samples, supplies, products and services may be made available to the FRANCHISEE at scheduled prices. The purchase price for all such items purchased by the FRANCHISEE from the FRANCHISOR shall be payable upon receipt of an invoice.

#### 7.) METHOD OF PAYMENT OF FEES/LATE PAYMENT CHARGES

(a) The FRANCHISEE shall execute such documents as may be required from time to time by the FRANCHISOR to permit the FRANCHISOR to withdraw from the FRANCHISEE'S general operating account the weekly earned service fees and Advertising/Marketing Contributions as set forth in this Paragraph 7. The FRANCHISEE shall immediately notify the FRANCHISOR of any change in its banking relationships, including any change in the account number of its general operating account, or any change in banks. At all times, the FRANCHISEE shall maintain minimum deposits in its general operating account of at least Five Thousand Dollars (\$5,000). If the automatic draws permitted under this Paragraph 7 (or any other draw, withdrawal, or draft) reduce the amount contained in the FRANCHISEE'S general operating account below Five Thousand Dollars (\$5,000), the FRANCHISEE shall, within five (5) days of the date of such draw, withdrawal, or draft, deposit such amounts as required to increase the amount on deposit in the account to at least Five Thousand Dollars (\$5,000).

(b) The Franchisor may, in its sole discretion, elect to allow FRANCHISEE to pay all weekly earned service fees and Advertising/Marketing Contributions by check, provided they are received by the FRANCHISOR by the due date. If these fees have not been received by the due date, or if any check given to the FRANCHISOR in payment of these fees is refused payment upon presentment, the FRANCHISOR shall have the right to draw against the FRANCHISEE'S general operating account in an amount equal to the fees that should have been paid according to the reports submitted by the FRANCHISEE and to rescind its approval of the FRANCHISEE making subsequent payments by check.

(c) If the FRANCHISEE fails to submit weekly sales reports for the preceding week, and the FRANCHISOR is withdrawing the weekly earned service fees and Advertising/Marketing Contributions directly from the FRANCHISEE'S general operating account, the amount withdrawn for the weekly earned service fee shall be the

fixed weekly amount set forth in Paragraph 5 (initially, Four Thousand Eight Hundred Sixty Dollars (\$4,860)), and the amount withdrawn for the ~~Advertising/Marketing~~ Contribution shall also equal the fixed weekly service fee. Once such amounts have been withdrawn, they shall be refundable only to the extent the amount withdrawn exceeds the actual earned service fee and ~~Advertising/Marketing~~ Contribution due for the period and then only if the FRANCHISEE presents evidence satisfactory to the FRANCHISOR that the Gross Receipts of the Franchised Store required a lesser fee to be paid.

(d) If for any reason the FRANCHISOR elects not to draw against the FRANCHISEE'S account for the payment of earned service fees or ~~Advertising/Marketing~~ Contributions, or if there is not a sufficient amount in such account to permit immediate full payment of those fees, and the FRANCHISEE does not otherwise timely pay its earned service fees or ~~Advertising/Marketing~~ Contributions, the FRANCHISEE must pay to the FRANCHISOR a late payment charges of ten percent (10%) of the actual amount of earned service fees and ~~Advertising/Marketing~~ Contributions not paid when due. These charges shall be in addition to all other late payment charges imposed upon overdue payments as set forth elsewhere in this Agreement.

#### 8.) TRAINING AND ASSISTANCE

(a) If a site for the location of the Franchised Store has not been determined prior to the execution of this Agreement, or if that site becomes unavailable for any reason, the FRANCHISOR will consult with the FRANCHISEE in connection with the selection of an appropriate site. In any event, the FRANCHISOR reserves the right to approve the specific site for the location of the Franchised Store.

(b) At the request of the FRANCHISEE, the FRANCHISOR will provide reasonable assistance to the FRANCHISEE in the negotiation of a lease for the operation of the Franchised Store. This provision shall not, however, require the FRANCHISOR to conduct such negotiations.

(c) Prior to the opening of the Franchised Store, the FRANCHISOR shall provide at a suitable location of its choice within the United States, an initial training program consisting of approximately two (2) weeks of classroom and in-store training for the FRANCHISEE or its designee and to the proposed manager of the Franchised Store if other than the FRANCHISEE (the Initial Training Program). The Initial Training Program will be provided without charge, but travel and living expenses, if any, incurred by the FRANCHISEE and its manager in connection with the Initial Training Program shall be the responsibility of the FRANCHISEE. The FRANCHISEE or its approved manager is required to attend and satisfactorily complete the initial training program if this is the first franchise the FRANCHISEE has acquired from the FRANCHISOR.

(d) The FRANCHISOR shall loan to the FRANCHISEE an MGM® Operations Manual. The manual so loaned shall be marked "CONFIDENTIAL," shall not be copied in whole or in part, shall remain the property of the FRANCHISOR and shall always be kept in safekeeping on the premises of the Franchised Store. The FRANCHISOR, from

time to time, may add to or modify the manual to supplement or to improve the System of Operation and the contents and methods of promotion franchised hereunder. The FRANCHISEE shall keep the manual up to date by inserting any such additions or modifications.

(e) The FRANCHISOR shall lease to the FRANCHISEE, and install for the FRANCHISEE, a basic exterior sign meeting the FRANCHISOR'S requirements for all MGM Wine & Spirits® stores.

(f) At the request of the FRANCHISEE, the FRANCHISOR will assist the FRANCHISEE during the first year after the opening of the Franchised Store in reviewing, downloading and printing the various monthly reports the FRANCHISOR recommends the FRANCHISEE use in managing the Franchised Store.

(g) The FRANCHISOR shall provide to the FRANCHISEE suggested monthly or seasonal liquor and wine specials. The actual decision as to the pricing of inventory within the Franchised Store shall be left to the sole discretion of the FRANCHISEE.

(h) The FRANCHISOR, from time to time, may provide the FRANCHISEE information relating to such topics as market conditions, sales motivation, sales aids, advertising and marketing, the number and frequency of which shall be determined at the FRANCHISOR's sole discretion. Bulletins will be made available to the FRANCHISEE at scheduled prices.

(i) The FRANCHISOR shall have the right to use the Franchised Store, from time to time, to an extent and in a manner which is reasonable, for providing training to its own employees and other franchisees.

(j) The FRANCHISOR is not obligated to perform any services to the FRANCHISEE's particular level of satisfaction, but as a function of the FRANCHISOR's experience, knowledge and judgment.

(k) If the FRANCHISEE believes the FRANCHISOR has failed to adequately provide any pre-opening services to the FRANCHISEE in regard to site selection, selection and purchase of items needed to commence operations, training, or any other matter affecting the establishment of the Franchised Store, the FRANCHISEE shall so notify the FRANCHISOR in writing within thirty (30) days following the opening of the Franchised Store. Absent the timely provision of such notice to the FRANCHISOR, the FRANCHISEE shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be performed by the FRANCHISOR were sufficient and satisfactory in the FRANCHISEE's judgment.

#### 9.) LEASING/CONSTRUCTION

(a) Any lease or sublease for the premises in which the Franchised Store shall be operated must include the following conditions:

(1) That the premises will be operated only as an MGM® store;

- (2) Upon expiration or termination of this Franchise for any reason whatsoever, the lessor will grant the FRANCHISOR an option, for thirty (30) days thereafter, to replace the FRANCHISEE as lessee and at any time thereafter to assign its interest to the FRANCHISOR or another franchisee of the FRANCHISOR who would then become the lessee with the approval of lessor, which approval may not be unreasonably withheld;
- (3) Lessor shall furnish to the FRANCHISOR, contemporaneously with that to the FRANCHISEE, written notice of any default in the lease and the action required to cure such default. In the event of a monetary default, lessor shall allow the FRANCHISOR thirty (30) days after receipt of such notice to escrow the funds necessary to cure such default if the FRANCHISEE fails to do so. In the event of a non-monetary default, lessor shall allow the FRANCHISOR thirty (30) days after the FRANCHISOR's receipt of such written notice to provide lessor with a letter of undertaking to cure such default if the FRANCHISEE fails to do so. If the FRANCHISEE fails to cure either type of default, and the FRANCHISOR has escrowed the required funds, or provided the necessary undertaking, as the case may be, lessor shall take any action necessary to remove the FRANCHISEE from the premises and retake possession of the premises. Lessor shall then allow the FRANCHISOR to cure the default and take possession of the premises as lessee under the same lease, and at any time thereafter to assign the FRANCHISOR's interest in such lease to another franchisee of the FRANCHISOR;
- (4) Lessor shall accept the FRANCHISOR or its franchisee as a substitute under the existing terms of the lease upon notice from the FRANCHISOR that it is exercising its option to replace the FRANCHISEE as lessee;
- (5) Lessor acknowledges that, in all cases, the FRANCHISEE is solely responsible for all obligations, payments and liabilities accruing under the lease unless and until the FRANCHISOR exercises its option to become substitute lessee and actually takes possession of the premises; and
- (6) An acknowledgement that the FRANCHISOR is a third-party beneficiary to the lease between lessor and the FRANCHISEE, and as such, the lease for the premises may not be amended or cancelled so as to affect any of the above provisions, or the intent of the same, without the prior written approval of the FRANCHISOR, which approval shall not be unreasonably withheld.

The FRANCHISEE shall provide the FRANCHISOR a copy of the lease or sublease for the premises in which the Franchised Store will be operated prior to its execution so that the FRANCHISOR can satisfy itself that the foregoing provisions have been included in such lease or sublease. The FRANCHISOR shall have no other responsibility to review said lease or sublease or to make any recommendations regarding the terms thereof. The FRANCHISEE shall also provide the FRANCHISOR with a fully signed copy of that lease or sublease within ten (10) days after it is signed.

(b) The FRANCHISEE shall be responsible for construction of the Franchised Store. The construction including, but not limited to, landscaping, exterior design, building structure, floor plan, decor, furnishings, equipment, fixtures and signage, shall be completed in accordance with drawings and specifications approved by the FRANCHISOR. All such construction shall be undertaken by a contractor and construction company approved by the FRANCHISOR. The FRANCHISEE shall pay all costs incurred in connection with the construction, including the site plan.

(c) During the Term of the Franchise, the landscaping, floor plan, interior and exterior design, furnishings and equipment of the Franchised Store shall not be altered or modified, without the prior written approval of the FRANCHISOR.

#### 10.) OPERATION OF THE FRANCHISED STORE

(a) The FRANCHISEE shall commence operation of the Franchised Store within ten (10) business days after completion of construction of the Franchised Store and the installation of equipment therein, but not before the FRANCHISOR has confirmed the Franchised Store is ready to open. Thereafter, the FRANCHISEE shall continuously operate the Franchised Store during all minimum hours prescribed by the FRANCHISOR throughout the entire Term of the Franchise.

(b) The Franchised Store shall at all times be under the direct on-premises supervision of the FRANCHISEE and the FRANCHISEE's managers. The FRANCHISEE shall participate personally, on a full-time basis, in the operation of the Franchised Store, unless otherwise approved in writing by the FRANCHISOR. The FRANCHISEE will at all times be held responsible for the day-to-day management of the Franchised Store. FRANCHISOR shall have no right or obligation to operate the Franchised Store.

(c) ~~The~~ Notwithstanding any other provision of this Agreement, the FRANCHISEE shall be solely responsible for recruiting, hiring and training all persons employed to operate the Franchised Store. All such persons shall be the employees of the FRANCHISEE and not the employees or agents of the FRANCHISOR. The FRANCHISEE shall determine all terms of employment of such persons, including wages, benefits and other compensation; ~~and is responsible for supervising, disciplining and terminating all such persons;~~ hours of work and scheduling; the assignment of duties to be performed; the supervision of the performance of duties assigned to the employee; work rules and direction governing the manner, means and methods of the performance of the duties and the grounds for discipline; the tenure of employment, including hiring and discharge; and working conditions related to the safety and health of employees; provided, however, that in all cases the FRANCHISEE shall comply with all applicable local, state and federal laws and regulations related to its employment of individuals and its employment practices. The FRANCHISOR shall have no ~~rights~~ right to direct FRANCHISEE's employees.

(d) The FRANCHISEE shall utilize its best efforts, skill and diligence to ensure that the FRANCHISEE and the FRANCHISEE's employees establish and maintain high

quality service to customers. At all times, the FRANCHISEE shall conduct its business in a manner that will preserve and enhance the goodwill associated with the NAMES and MARKS.

(e) During the Term of the Franchise, the FRANCHISEE shall use the premises of the Franchised Store exclusively to operate an off-sale retail liquor store under the NAMES and MARKS. The FRANCHISEE shall not permit the premises of the Franchised Store to be used for any other purpose, business, activity, use or function.

(f) The FRANCHISEE acknowledges that the MGM® Operations Manual is designed to protect the FRANCHISOR's standards and systems, and the Names and Marks, and not to control the day-to-day operation of the business. The FRANCHISEE shall comply with all mandatory rules, regulations, and directives contained in this Agreement or in the confidential MGM® Operations Manual, as amended from time to time, and shall adopt and adhere to merchandising, promotion, and advertising policies of the FRANCHISOR. The FRANCHISOR specifically reserves the right to modify or change such rules, regulations and directives including, but not by way of limitation, by changing the format, decor or image of the Franchised Store.

(g) The FRANCHISEE shall comply with all laws and regulations pertaining to the operation and use of the Franchised Store and to the sale of products therein. At all times, the FRANCHISEE shall maintain the Franchised Store (both interior and exterior) in a clean, sanitary and attractive condition and in a condition that satisfies the FRANCHISOR's reasonable requirements. The FRANCHISEE hereby agrees to permit the FRANCHISOR and its designees, whenever the FRANCHISOR reasonably may deem necessary, to enter, remain on and inspect the premises of the Franchised Store. If the FRANCHISEE fails to maintain the premises of the Franchised Store in a condition which satisfies all applicable health codes and other laws and regulations, and the FRANCHISOR's other requirements, the FRANCHISOR, upon not less than three (3) days' notice to the FRANCHISEE, may order or accomplish the cleaning of the premises, the cost of which shall be charged to, and paid by, the FRANCHISEE.

(h) The FRANCHISEE shall sell all items specified and described in the confidential MGM® manuals, as amended from time to time, ~~and shall maintain minimum inventory levels required by the FRANCHISOR.~~ The FRANCHISEE shall not eliminate any item specified in the MGM® manuals without the prior written approval of the FRANCHISOR. The FRANCHISEE shall not sell any other products in the Franchised Store, including food or nonalcoholic ~~beverage~~beverages, except specified items, without the prior written approval of the FRANCHISOR.

(i) The FRANCHISEE shall exhibit, promote the sale of, sell and distribute private label branded products using the NAMES and MARKS, including premiums, novelties and promotional literature and material.

(j) Products, supplies and services purchased by the FRANCHISEE from the FRANCHISOR (other than earned service fees or ~~Advertising~~/Marketing Contributions) shall be payable upon receipt of an invoice therefor. Fees or charges for products,

supplies, or services furnished by the FRANCHISOR not paid within ten (10) days of receipt of an invoice therefor, and earned service fees and ~~Advertising/Marketing Contributions~~ not paid when due, shall be subject to the imposition of late payment charges from the due date at the maximum rate permitted by law, not to exceed one and one-half percent (1 1/2%) per month. In addition, if any earned service fees or ~~Advertising/Marketing Contributions~~ are not paid when due, the FRANCHISEE shall pay a one-time fee of ten percent (10%) of the amount due for each unpaid payment. If the FRANCHISEE is delinquent in the payment of any amount owing the FRANCHISOR, the FRANCHISOR shall have the right to set off amounts owed by the FRANCHISOR to the FRANCHISEE against amounts owed to the FRANCHISOR by the FRANCHISEE. If any such set-off is taken, the FRANCHISOR may apply the amounts in any manner its elects, provided the FRANCHISEE receives full credit for the set-off amounts against amounts owing by the FRANCHISEE to the FRANCHISOR or its affiliate. Under no circumstances does the FRANCHISEE have the right to withhold any payments from the FRANCHISOR, claim any set-offs against any amount owed to the FRANCHISOR, or escrow any payments owed to the FRANCHISOR.

(k) The FRANCHISEE shall promptly pay when due all expenses incurred in the operation of the Franchised Store, and all taxes levied or assessed by reason of its operation and performance under this Agreement. The FRANCHISEE further shall secure and pay premiums on a workers' compensation policy covering all of its employees and, if applicable, shall pay all state unemployment taxes, state sales taxes and all other taxes and expenses of operating the Franchised Store. In the event of any bona fide dispute as to the liability for any taxes assessed against the FRANCHISEE, the FRANCHISEE may contest the validity or amount of the tax in accordance with procedures of the taxing authority. In no event, however, shall the FRANCHISEE permit a tax sale or seizure by levy of execution or similar writ or warrant to occur against the premises or the equipment contained in the Franchised Store.

(l) The FRANCHISEE shall purchase or lease, and use, point-of-sale cash registers and other sales systems specified by the FRANCHISOR and subscribe to all software upgrades and maintenance programs required by the FRANCHISOR.

(m) The FRANCHISEE shall maintain all coolers, freezers and other equipment (including computer equipment and other technology) in the Franchised Store in excellent working condition. As such items become obsolete or mechanically impaired to the extent they require replacement, the FRANCHISEE shall replace such items with either the same or substantially the same types and kinds of equipment and other technology as are being installed in other off-sale retail liquor stores franchised by the FRANCHISOR at the time replacement becomes necessary. All equipment and other technology used in the Franchised Store shall meet the reasonable specifications of the FRANCHISOR and shall be approved by the FRANCHISOR prior to installation thereof.

(n) If the FRANCHISEE shall in any way fail to maintain the standards of quality or service established by the FRANCHISOR in the operation of the Franchised Store, the FRANCHISOR shall have the right to assign such person or persons that it deems necessary to provide additional training to the FRANCHISEE or its employees to assure

that such standards of quality and service are maintained. The FRANCHISEE shall pay to the FRANCHISOR all of the FRANCHISOR's actual costs for such person so assigned, including wages, travel and living expenses.

(o) If the FRANCHISEE receives any citation or notice of violation of any law in connection with the operation of the Franchised Store (including but not limited to any allegations of sales to minors), the FRANCHISEE shall notify the FRANCHISOR within two (2) business days of receiving such notice or citation. Thereafter, the FRANCHISEE shall promptly notify the FRANCHISOR of all actions taken in connection with such notice or citation, including actions taken by the FRANCHISEE to defend the same, and actions taken by the authority issuing the notice or citation.

#### 11.) NAMES AND MARKS

(a) The FRANCHISEE shall operate under, and prominently display, the NAMES and MARKS in the operation of the Franchised Store in the manner specified by the FRANCHISOR. The FRANCHISEE shall use no commercial trade names, service marks, or other commercial symbols, including associated logos, that do not satisfy the criteria established by the FRANCHISOR. If this Agreement is assigned to a corporation, partnership, or limited liability company, the FRANCHISEE may not use the NAMES and MARKS as part of the name of the corporation, partnership, or limited liability company. If the FRANCHISOR deems it advisable, the FRANCHISEE shall file for and maintain a "Certificate of Trade Name" in the county, or other appropriate jurisdiction, in which the Franchised Store is located. The FRANCHISEE may not use all or part of the NAMES and MARKS, or any similar name, word or symbol or variant thereof, in a domain name, account name, profile or URL, except as specifically approved by the FRANCHISOR.

(b) From time to time, the FRANCHISOR may elect to discontinue the use of certain NAMES and MARKS and to commence use of new NAMES and MARKS. The FRANCHISEE shall pay all expenses incurred in connection with discontinuing the use of existing NAMES and MARKS in the Franchised Store and commencing the use of new NAMES and MARKS therein.

(c) The FRANCHISEE acknowledges that its right to use the NAMES and MARKS is derived solely from this Agreement and that all such usage and any goodwill established thereby shall inure to the exclusive benefit of the FRANCHISOR. The FRANCHISEE waives any right to challenge the FRANCHISOR'S entitlement or ownership of the NAMES and MARKS.

(d) The FRANCHISEE shall not use any of the NAMES and MARKS in combination with other words, letters, prefixes, suffixes, logos or designs, other than in the manner authorized by the FRANCHISOR.

(e) The FRANCHISEE agrees that, upon the termination or expiration of the Term of the Franchise for any reason whatsoever, the FRANCHISEE shall forthwith discontinue the use of the NAMES and MARKS, and thereafter shall no longer use, or have the right to use, the NAMES and MARKS.

(f) The FRANCHISEE shall immediately notify the FRANCHISOR of any infringement of or challenge to the FRANCHISEE's use of present and future NAMES and MARKS and shall not communicate with any other person in connection with any such infringement, challenge or claim. The FRANCHISOR shall have sole discretion to take such action as it deems appropriate, including the exclusive control of any litigation or any Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim relating to any of the NAMES and MARKS.

(g) The Minnesota Department of Commerce requires that the FRANCHISOR indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that FRANCHISEE'S use of the FRANCHISOR'S service mark infringes service mark rights of the third party. The FRANCHISOR does not indemnify against the consequences of FRANCHISEE'S use of the FRANCHISOR'S service mark, except in accordance with the requirements of this Agreement or to the extent required by the Minnesota Franchise Act if you are using the service mark in accordance with this Agreement, and, as a condition to indemnification, FRANCHISEE must provide notice to the FRANCHISOR of any such claim within ten (10) days of tender of the defense of the claim to the FRANCHISOR. If the FRANCHISOR accepts the tender of defense, the FRANCHISOR has the right to manage the defense of the claim, including the right to compromise, settle, or otherwise resolve a claim, and to determine whether to appeal a final determination of the claim.

## 12.) SUPPLIES AND SUPPLIERS

(a) From time to time, the FRANCHISOR shall provide the FRANCHISEE a list of approved suppliers of signs, equipment, cash registers, point-of-sale materials, inventory, and other items necessary to operate the Franchised Store. The approved source of supply for any individual item may exclusively be the FRANCHISOR, an affiliate of the FRANCHISOR or an independent contractor. The FRANCHISEE agrees and acknowledges that the FRANCHISOR or its affiliates may be the sole supplier for certain items, and that the FRANCHISOR may have no more than one approved supplier for certain items. Except in a situation where the FRANCHISOR requires an item to be purchased from a particular supplier, the FRANCHISEE shall not be restricted from using sources of supply other than those previously approved by the FRANCHISOR, if the other sources supply items of substantially the same quality and specifications as those supplied by the approved sources and if otherwise approved by the FRANCHISOR, in FRANCHISOR's sole discretion.

(b) The FRANCHISOR reserves the right to require the FRANCHISEE to obtain the written approval of the FRANCHISOR prior to the use of any supplier not previously approved by the FRANCHISOR and, as a precondition to the granting of such approval, may require the proposed supplier to submit to the FRANCHISOR samples of products it proposes to provide to the FRANCHISEE for use in the Franchised Store.

(c) The FRANCHISOR shall not be liable to the FRANCHISEE for damages caused by the failure of the FRANCHISOR or an approved supplier to make available for purchase any item, unless the failure is the result of factors within the FRANCHISOR's reasonable control.

(d) At all times during the Term of the Franchise, the FRANCHISEE shall maintain a reasonable inventory of the products and materials necessary to operate the Franchised Store. The FRANCHISOR reserves the right to require the FRANCHISEE to maintain a minimum inventory established by the FRANCHISOR, as well as minimum quantities of specific products. The minimum inventory required by the FRANCHISOR may vary at differing times of the year and will likely vary among franchisees based on the location and size of their store. If the FRANCHISOR increases the minimum inventory the FRANCHISEE must maintain, the FRANCHISEE will have thirty (30) days from its receipt of the new minimum inventory requirement to increase its inventory to the new prescribed minimum level.

### 13.) FINANCIAL INFORMATION, REPORTS, INSPECTIONS AND AUDITS

(a) The FRANCHISEE shall maintain its books and records in the manner reasonably required by the FRANCHISOR. At its option, the FRANCHISOR may establish uniform accounting systems, central computerized control systems, and/or point-of-sale systems for use by all franchisees, and the FRANCHISEE shall utilize such systems.

(b) The FRANCHISEE shall also provide to the FRANCHISOR, in addition to the information required under Paragraph 5(a) of this Agreement, (i) within thirty (30) days following the end of each fiscal year, a financial statement of the FRANCHISEE and, if the FRANCHISEE is an entity, the owners (partners, members and shareholders) of the FRANCHISEE, and (ii) when and as requested by FRANCHISOR, such other financial information concerning the operation of the Franchised Store as FRANCHISOR shall request, including periodic inventory reports, financial statements, and information on product purchases and sales by category.

(c) If the FRANCHISEE should fail to timely provide to the FRANCHISOR required sales or financial information (including the information required under Paragraph 5(a) of this Agreement), the FRANCHISOR will have the right to impose a late reporting fee of One Hundred Dollars (\$100) for each late report. FRANCHISOR shall also have the right to require the FRANCHISEE to provide information necessary to prepare such statements and reports, and to then prepare these statements and reports, for which the FRANCHISEE will be charged a reasonable fee, including the compensation of employees of the FRANCHISOR involved in preparing the statements and reports.

(d) The FRANCHISOR shall have the right to audit or cause to be audited the sales reports and financial statements delivered to the FRANCHISOR, and the books, records and sales and income tax returns of the FRANCHISEE. FRANCHISEE shall cooperate in all respects with such audit, including authorizing third parties to provide information regarding the Franchised Store directly to FRANCHISOR as may be requested by FRANCHISOR. If any audit discloses an understatement of the Gross Receipts of the Franchised Store for any period or periods, the FRANCHISEE, within five (5) days of receipt of the audit report, shall pay to the FRANCHISOR the ~~Advertising~~/Marketing Contributions, and earned service fees, if any, due on the previously unreported Gross Receipts, plus late payment and late reporting charges as provided in Paragraphs 10(j) and 13(c) of this Agreement. In addition, if an understatement for any period equals two

percent (2%) or more of the Gross Receipts of the Franchised Store for the period, the FRANCHISEE shall reimburse the FRANCHISOR for the cost of the audit, including, without limitation, the charges of any independent accountant and the travel expenses, room and board, and compensation of persons employed by the FRANCHISOR to make the audit.

#### 14.) INSURANCE

(a) At all times during the Term of the Franchise, the FRANCHISEE shall maintain in force, at its sole expense, general comprehensive public and product liability insurance against claims for bodily and personal injury, death and property damage caused by, or incurred in conjunction with, the operation of, or conduct of business by, the FRANCHISEE; general casualty insurance (including the perils of fire, broad form extended coverage, vandalism and malicious mischief) on the Franchised Store's building, equipment, signs and inventory; motor vehicle liability insurance and workers' compensation insurance and dram shop insurance.

(b) The insurance coverage shall be maintained under one (1) or more policies of insurance containing the amounts and types of coverage from time to time prescribed by the FRANCHISOR and insured by insurance companies with a financial strength rating of A or better as established by A.M. Best Company. All public and product liability and motor vehicle liability insurance policies shall name the FRANCHISOR as an additional insured and shall provide that the FRANCHISOR receive ten (10) days' prior written notice of termination, expiration, reduction or cancellation of any such policy. The FRANCHISEE shall submit to the FRANCHISOR, annually, a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy.

(c) If the FRANCHISEE at any time fails or refuses to maintain any insurance coverage required by the FRANCHISOR, or fails to furnish satisfactory evidence thereof, the FRANCHISOR, at its option and in addition to its other rights and remedies hereunder, may obtain such insurance coverage on behalf of the FRANCHISEE, and any costs of premiums incurred by the FRANCHISOR in connection therewith shall be paid by the FRANCHISEE on demand.

#### 15.) CONFIDENTIALITY AND IMPROVEMENTS BY THE FRANCHISEE

(a) The FRANCHISEE acknowledges that all of the information it has now or obtains in the future concerning the System of Operation and the concepts and methods of promotion franchised hereunder is derived from the FRANCHISOR pursuant to this Agreement, and that such information will be treated in confidence. The FRANCHISEE agrees never to, directly or indirectly, engage in or abet the misappropriation (as the term "misappropriation" is defined in the Minnesota Uniform Trade Secrets Act), or the disclosure, divulgence, or distribution of all or any part of the System of Operation and the concepts and methods of promoting franchises hereunder.

(b) All of the information the FRANCHISOR obtains relating to the Franchised Store, and all information in the FRANCHISEE's records or in the FRANCHISOR's

records concerning the customers of the Franchised Store or any other MGM Wine & Spirits store operated by the FRANCHISEE shall be the property of the FRANCHISOR. During the Term of the Franchise, the FRANCHISEE may, to the extent lawful, use such information in the operation of its MGM Wine & Spirits stores (but for no other purpose, and may not disclose the information to others or use the information to obtain income or revenues that would not be deemed to be included in Gross Receipts of its MGM Wine & Spirits stores), but at the FRANCHISEE's sole risk and responsibility. Because all such information (except for information the FRANCHISEE provides to the FRANCHISOR with respect to the ownership of the FRANCHISEE) is the FRANCHISOR's property, the FRANCHISOR may use the information for any reason it deems necessary or appropriate in its sole discretion. Following termination or expiration of this Agreement, the FRANCHISEE will no longer use any of the information concerning the Franchised Store or its customers for any purpose.

(c) In the event that the FRANCHISEE, during the Term of the Franchise, conceives or develops any improvements or additions to the System of Operation, new trade names, trade and service marks or other commercial symbols related to the Franchised Store, products or services to be offered in the Franchised Store, or any advertising or promotion ideas related to the Franchised Store (Improvements), the FRANCHISEE shall fully disclose the Improvements to the FRANCHISOR without disclosure of the Improvements to others and shall obtain the FRANCHISOR's written approval prior to the use of such Improvements. Any such Improvement approved by the FRANCHISOR may be used by the FRANCHISOR and its affiliates and all other franchisees of the FRANCHISOR without any obligation to the FRANCHISEE for royalties or other compensation. The FRANCHISEE hereby assigns to the FRANCHISOR, without charge, all rights, including the right to grant sublicenses to any such Improvement, together with the goodwill associated with the same. The FRANCHISOR, at its discretion, may make application for and own copyrights, trade names, trademarks and service marks relating to any such Improvement. The FRANCHISOR also may consider such Improvements as the property and trade secret of the FRANCHISOR. The FRANCHISOR shall authorize the FRANCHISEE to utilize any Improvement authorized generally for use by other franchisees.

## 16.) COMPETITION

(a) The FRANCHISEE acknowledges the FRANCHISOR must be protected against the potential for unfair competition by the FRANCHISEE's use of the FRANCHISOR's training, assistance and trade secrets in direct competition with the FRANCHISOR. The FRANCHISEE therefore agrees that it shall not, during the term of this Agreement, either directly or indirectly, operate, own, or be employed by or consult with, any off-sale retail liquor store other than one operated under a valid franchise agreement with the FRANCHISOR. Further, the FRANCHISEE agrees that it shall not, for a period of two (2) years following the effective date of termination or expiration of this Agreement, either directly or indirectly, operate, own, or be employed by or consult with, any off-sale retail liquor store, other than one operated under a valid franchise agreement with the FRANCHISOR, within a radius of five (5) miles from the location of the Franchised Store, or within a radius of five (5) miles from the location of any other MGM Liquor

Warehouse® or MGM Wine & Spirits® store in existence at the time of expiration or termination of this Agreement. In the event of the violation of this provision by the FRANCHISEE following termination or expiration of this Agreement, the period of time the FRANCHISEE shall be required to abide by this obligation shall be extended to a period two (2) years after the FRANCHISEE is no longer in default of this obligation.

(b) The FRANCHISEE acknowledges that the restrictions contained in this Paragraph 16 are reasonable and necessary to protect the interests of the FRANCHISOR and other franchisees of the FRANCHISOR, and that because of the limited nature of the geographic scope of the restrictions following termination or expiration of the Franchise Agreement, and the limitation of the restrictions both during the Term of the Franchise and thereafter to those involving an off-sale retail liquor store, they do not unduly restrict the FRANCHISEE's ability to engage in gainful employment. If the FRANCHISEE violates these restrictions, then in addition to damages incurred by the FRANCHISOR for which the FRANCHISEE shall be liable, the FRANCHISOR shall be entitled to injunctive relief to prevent continuation of such breach.

#### 17.) ASSIGNMENT

(a) This Agreement is fully assignable by the FRANCHISOR, and shall inure to the benefit of any assignee or other legal successor in interest of the FRANCHISOR.

(b) No FRANCHISEE, partner (if the FRANCHISEE assigns this Agreement to a partnership), member (if the FRANCHISEE assigns this Agreement to a limited liability company), or shareholder (if the FRANCHISEE assigns this Agreement to a corporation), without the prior written consent of the FRANCHISOR, by operation of law or otherwise, shall sell, assign, transfer, convey, give away, lease, or encumber to any person, firm or corporation, its interest in this Agreement or its interest in the Franchise granted hereby or its interest in any proprietorship, partnership, corporation, or limited liability company which owns any interest in the Franchise, or its interest in the Franchised Store or the assets of the Franchised Store (all of which shall be considered a "Transfer" under this Agreement). Any purported Transfer not having the necessary consent shall be null and void and shall constitute a material default hereunder.

(c) The FRANCHISOR shall not unreasonably withhold its consent to any Transfer meeting the following conditions and requirements:

- (1) If the FRANCHISEE desires to assign or transfer all of its rights to a partnership, corporation, or limited liability company controlled by the FRANCHISEE:
  - a. the transferee shall be newly organized and its charter shall provide that its activities are confined exclusively to operating the Franchised Store;
  - b. the FRANCHISEE shall be and shall remain the owner of not less than two-thirds (2/3) of the issued and outstanding voting stock or

membership interests of the transferee corporation or limited liability company or, in the case of a partnership, of two-thirds (2/3) of the voting control of the transferee partnership;

- c. the individual FRANCHISEE (or, if the FRANCHISEE is a partnership or limited liability company, one (1) of the partners or members) shall be and shall remain the principal executive officer of the transferee;
- d. the transferee shall enter into a written agreement with the FRANCHISEE and the FRANCHISOR, in a form satisfactory to the FRANCHISOR, assuming all of the FRANCHISEE's obligations hereunder;
- e. all the partners, shareholders, or members of the transferee shall enter into a written agreement in a form satisfactory to the FRANCHISOR jointly and severally guaranteeing the full payment and performance of the transferee's obligations to the FRANCHISOR and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under this Agreement;
- f. each stock or membership certificate of the transferee corporation or limited liability company, or the partnership agreement of the transferee partnership, shall have conspicuously endorsed upon it a statement that it is held subject to, and that further Transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;
- g. no new voting interest in the transferee shall be issued to any person or entity without obtaining the FRANCHISOR's prior written consent; and
- h. all accrued money obligations of the FRANCHISEE to the FRANCHISOR and its subsidiaries or assigns shall be satisfied prior to consummation of the Transfer.

(2) If a Transfer (other than a Transfer as set forth in Paragraph (1) above), alone or together with other previous, simultaneous or proposed Transfers, would have the effect of transferring control of the Franchise created hereby or the Franchised Store:

- a. the transferee shall be of good moral character and reputation and shall have a good credit rating, financial capabilities and competent business qualifications reasonably acceptable to the FRANCHISOR. The FRANCHISEE shall provide the FRANCHISOR with the information it may reasonably require to make a determination concerning each proposed transferee;

- b. the transferee, including all shareholders, members, and partners (as the case may be) of the transferee, shall jointly and severally execute a new franchise agreement with FRANCHISOR, on the terms then offered by FRANCHISOR to new franchisees, except that all preopening obligations of the parties, other than the obligation of the transferee to complete the initial training to FRANCHISOR's satisfaction, shall be waived, including the obligation of the transferee to pay a new initial franchise fee;
- c. if the transferee is a corporation, limited liability company or partnership, each stock or membership certificate, or the partnership agreement, shall have conspicuously endorsed upon it a statement that it is held subject to, and further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;
- d. if the transferee is a corporation, partnership, or limited liability company, no new voting interest in the transferee shall be issued to any person or entity without obtaining the FRANCHISOR's prior written consent;
- e. the FRANCHISEE shall have fully paid and satisfied all of the FRANCHISEE's obligations to the FRANCHISOR and its affiliates, and the FRANCHISEE shall pay to the FRANCHISOR a transfer fee of Twenty Thousand Dollars (\$20,000);
- f. the FRANCHISEE shall have executed an agreement in form satisfactory to the FRANCHISOR in which it agrees to (i) release any claims it has against the FRANCHISOR; (ii) subordinate any claims it may have against the transferee to any amounts owed by the transferee to the FRANCHISOR; (iii) indemnify the FRANCHISOR against all claims brought against the FRANCHISOR by the transferee for a period of three (3) years following the Transfer to the extent such claims involve or arise out of any representation or commitment made or allegedly made to the transferee by the FRANCHISEE; and (iv) refrain for a period of three (3) years following the Transfer from owning, operating, consulting with, or being employed by, any off-sale retail liquor store other than one operated under a valid franchise agreement with the FRANCHISOR, within a radius of five (5) miles from the location of the Franchised Store, or within a radius of five (5) miles from the location of any other MGM Liquor Warehouse® or MGM Wine & Spirits® store in existence at the time of the Transfer;
- g. if the transferee is a corporation, limited liability company or partnership, all the shareholders, members, or partners of the

transferee shall enter into a written agreement, in a form satisfactory to the FRANCHISOR, jointly and severally guaranteeing the full payment and performance of the transferee's obligations to the FRANCHISOR and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under the terms of this Agreement; and

The FRANCHISEE consents to the FRANCHISOR releasing to any proposed transferee any information concerning the Franchised Store which the FRANCHISEE has reported to the FRANCHISOR.

(d) If ~~a Transfer~~ Transfer is caused by the death or incapacity of the FRANCHISEE (or in the case of a partnership, corporation, or limited liability company, by the death or incapacity of one controlling more than one-third (1/3) of the voting interest of the FRANCHISEE), the provisions of Paragraph (2) of Paragraph 17(c) must be met, within sixty (60) days of the death or incapacity, by the heir or personal representative of the FRANCHISEE succeeding to the FRANCHISEE's interest hereunder; provided, however, if the heir or personal representative assigns, transfers or sells its interest in the Franchise within sixty (60) days after the death or incapacity of the FRANCHISEE, the person to whom the interest is assigned, transferred or sold, and not the FRANCHISEE's heir or personal representative, must comply with the provisions of Paragraph (2) as transferee.

(e) If the FRANCHISEE assigns this Agreement to a corporation which desires to sell its securities to the public, it shall present an offering circular or prospectus to the FRANCHISOR for its review within a reasonable time prior to such offering becoming effective. The FRANCHISEE shall not offer its securities by use of the name "MGM®," "MGM Wine & Spirits®" or any name deceptively similar thereto.

#### 18.) RIGHT OF FIRST REFUSAL

If, at any time during the Term of the Franchise, the FRANCHISEE receives a bona fide offer to purchase or lease the Franchised Store, or to acquire a direct or indirect interest in this Agreement which offer the FRANCHISEE is willing to accept, the FRANCHISEE shall communicate in writing to the FRANCHISOR the full terms of the offer and the name of the offeror. The FRANCHISOR may elect to purchase or lease the business, on the terms set forth in the offer. If the FRANCHISOR elects to purchase or lease the business, or acquire the interest, it shall give the FRANCHISEE written notice of the election within thirty (30) days after the FRANCHISOR receives the FRANCHISEE'S communication of the offer. If the FRANCHISOR fails to give written notice of election within thirty (30) days, the FRANCHISEE may sell or lease to the offeror on the terms offered, subject to the provisions of Paragraph 17 relating to Transfers. For purposes of clarification, if the FRANCHISOR does not exercise its right of first refusal under this Paragraph 18, the FRANCHISEE still may not complete the proposed transaction without strictly complying with the provisions of Paragraph 16. The sale or lease must also be completed within sixty (60) days of the termination of the thirty (30) day period during which the FRANCHISOR may give written notice of election to purchase or lease; otherwise, an additional notice must be given to the FRANCHISOR and an additional option

period must expire prior to any such Transfer. If the FRANCHISOR elects to purchase or lease the business, it shall have the right to substitute equivalent cash for any noncash consideration included in the bona fide offer to purchase or lease the business and the FRANCHISOR and the FRANCHISEE will use their best efforts to complete the purchase or lease within sixty (60) days from the date of the FRANCHISOR's notice of election to purchase or lease.

19.) PRE-TERMINATION OPTIONS OF THE FRANCHISOR

(a) Prior to the termination of this Agreement, if the FRANCHISEE fails to pay any amounts owed to the FRANCHISOR or its affiliates or fails to comply with any term of this Agreement, then in addition to any right the FRANCHISOR may have to terminate this Agreement or to bring a claim for damages, the FRANCHISOR shall have the option, without prior notice:

- (1) To remove the listing of the Franchised Store from all advertising, websites, social media, and marketing materials produced, published or approved by the FRANCHISOR, and require the FRANCHISEE to remove or disable any M.G.M. Social Media Site;
- (2) To prohibit the FRANCHISEE from attending any meetings or seminars held or sponsored by the FRANCHISOR or taking place on the premises of the FRANCHISOR;
- (3) To terminate access to any computer or inventory control or related system provided to franchisees by the FRANCHISOR; and/or
- (4) To suspend all services provided to the FRANCHISEE under this Agreement or otherwise, including, but not limited to inspections, training, marketing assistance, provision of software updates, and sale of products and supplies.

(b) The FRANCHISOR'S actions, as outlined in this Paragraph 19, may continue until the FRANCHISEE has brought its accounts current, cured any default, and complied with the FRANCHISOR'S requirements, and the FRANCHISOR has acknowledged the same in writing. The taking of any of the actions permitted in this paragraph shall not suspend or release the FRANCHISEE from any obligation that would otherwise be owed to the FRANCHISOR or its affiliates under the terms of this Agreement or otherwise. Further, the FRANCHISEE acknowledges that the taking of any or all such actions on the part of the FRANCHISOR shall not deprive the FRANCHISEE of the most essential benefits of this Agreement, and shall not constitute a constructive termination of this Agreement.

20.) TERMINATION

(a) The FRANCHISEE may terminate this Agreement and the Franchise granted hereunder effective ten (10) days after delivery to the FRANCHISOR of notice of termination, if the FRANCHISEE is in compliance with this Agreement and the FRANCHISOR breaches this Agreement and fails to cure the breach within thirty (30)

days after written notice of the breach is delivered to the FRANCHISOR. The FRANCHISEE may also terminate this Agreement in accordance with the terms of Paragraph 4 of this Agreement.

(b) The FRANCHISOR may terminate this Agreement effective immediately upon receipt by the FRANCHISEE of notice of termination, if the FRANCHISEE:

- (1) Voluntarily abandons the franchise relationship;
- (2) Is convicted in a court of competent jurisdiction of an offense directly related to the business conducted pursuant to this Agreement;
- (3) Fails to cure a default under this Agreement which materially impairs the goodwill associated with the NAMES and MARKS after the FRANCHISEE has received written notice to cure at least twenty-four (24) hours in advance of the notice of termination;

(c) The FRANCHISOR may terminate this Agreement, effective ninety (90) days after delivery of notice of default setting forth the reasons for termination or cancellation to the FRANCHISEE, if the FRANCHISEE:

- (1) Makes an assignment for the benefit of creditors or an admission of its inability to pay its obligations as they become due;
- (2) Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar relief under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated a bankrupt or insolvent;
- (3) Commits repeated, material violations of any health, safety, sanitation or other regulatory law, ordinance or regulation or operates any Franchised Store in a manner that presents a health or safety hazard to its employees, customers or the general public;
- (4) Makes an unauthorized Transfer of this Agreement, the Franchised Store, or the Franchise;
- (5) Submits to the FRANCHISOR two (2) or more sales reports, financial statements, other information or supporting records in any period of twelve (12) consecutive months, which understate by two percent (2%) or more the Gross Receipts of the Franchised Store or materially distort any other material information;
- (6) Fails to submit when due sales reports or financial statements to the FRANCHISOR on three (3) occasions in twelve (12) consecutive months;
- (7) Fails to pay when due earned service fees, Advertising/Marketing Contributions, or other payments due to the FRANCHISOR;

- (8) Consistently fails to remit when due payments to suppliers or other creditors of the Franchised Store;
- (9) Has its off-sale retail liquor license suspended for a period of time exceeding five (5) consecutive days or ten (10) total days in any period of twelve (12) consecutive months, or has that license revoked;
- (10) Fails to acquire title to a site, either by purchase or lease, for the Franchised Store within eighteen (18) months of the date of this Agreement;
- (11) Fails to open the Franchised Store within two (2) years of the date of this Agreement;
- (12) Loses possession of the Franchised Store and fails to secure, within a reasonable time, a new location approved by the FRANCHISOR;
- (13) Otherwise materially breaches this Agreement or fails to comply with any provision of this Agreement or any specification, standard or operating procedure prescribed by the FRANCHISOR and does not correct such failure within thirty (30) days after notice to the FRANCHISEE; or
- (14) Has made material misrepresentations on its application for the Franchise.

The FRANCHISEE shall have sixty (60) days after delivery of notice of default to cure the reason for termination or cancellation.

(d) The foregoing notwithstanding, to the extent that the provisions of this Franchise Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, be superseded by said law, and the FRANCHISOR shall comply with applicable law in connection with each of these matters.

(e) The FRANCHISEE agrees, upon termination or expiration of the Franchise, to immediately return to the FRANCHISOR all copies of all manuals that have been loaned to it by the FRANCHISOR and any material marked as property of the FRANCHISOR or as confidential.

(f) Immediately upon termination or expiration of the Franchise, the FRANCHISEE shall pay to the FRANCHISOR such earned service fees and other charges as have or will thereafter become due hereunder and are then unpaid and all amounts due for printed materials, forms, advertising material, samples, supplies, products and services supplied by the FRANCHISOR.

(g) Within five (5) business days following the assignment, termination or expiration of the Franchise, the FRANCHISEE shall take such action as may be required to (i) properly cancel all assumed name or equivalent registrations relating to the use of the NAMES and MARKS, or any other mark, word, phrase or symbol confusingly similar to

any of the NAMES and MARKS, (ii) notify the telephone company, and, if requested by the FRANCHISOR, any domain name registrar, internet service provider or other service provider, and all listing agencies of the termination or expiration of the FRANCHISEE's right to use the domain names, username, account name, telephone numbers and classified and other directory listings associated with any M.G.M. Social Media Site or that include any portion of the NAMES and MARKS, and (iii) authorize the foregoing service providers to transfer to the FRANCHISOR all such telephone numbers, directory listings, domain names, usernames, and account names. The FRANCHISEE acknowledges that, as between the FRANCHISOR and the FRANCHISEE, the FRANCHISOR has the sole right to and interest in all telephone numbers and directory listings associated with the NAMES and MARKS, and to all M.G.M. Social Media Sites, and the FRANCHISEE will take any and all actions as may be necessary to assign and transfer access to and registrations for any M.G.M. Social Media Site to the FRANCHISOR. The FRANCHISEE authorizes the FRANCHISOR, and appoints the FRANCHISOR its attorney-in-fact, to direct the telephone company and all listing agencies, registrars, and service providers to transfer telephone numbers, domain names, usernames, accounts, and listings to the FRANCHISOR, as well as provide access to the FRANCHISOR to any such account, registration, username or profile. The FRANCHISEE acknowledges that the FRANCHISEE's right to use any web site or web page that may be provided to the FRANCHISEE by the FRANCHISOR shall terminate upon termination, expiration or assignment of the Franchise.

(h) Upon termination or expiration of the Franchise, the FRANCHISEE shall take such action as may be requested by the FRANCHISOR to transfer to the FRANCHISOR or its assigns all of the interest of the FRANCHISEE in the lease or sublease under which the Franchised Store has been operated. The FRANCHISEE shall remain liable for all obligations of the tenant or subtenant under said lease prior to the date of assignment. The FRANCHISEE authorizes the FRANCHISOR, and appoints the FRANCHISOR its attorney-in-fact, to execute such documents as may be necessary to transfer the FRANCHISEE's interest in the lease or sublease to the FRANCHISOR or its assigns.

(i) After the termination or expiration of the Franchise, the FRANCHISEE shall not indicate directly or indirectly, in any manner, that it is or ever was affiliated with the FRANCHISOR in any capacity, identify itself or any business as an MGM Wine & Spirits® store or as a franchisee of, or as otherwise associated with, the FRANCHISOR, or use, in any manner or for any purpose, any of the System of Operation, concepts and methods of promotion, or NAMES and MARKS, or any other indicia of an MGM Wine & Spirits® store. Upon termination or expiration of the Franchise, the FRANCHISEE immediately shall cause all exterior signs, whether affixed to the building or on a pylon, to be removed. If the FRANCHISEE fails to remove the sign(s), the FRANCHISOR shall be entitled to remove the sign(s), without prior notice to the FRANCHISEE. The FRANCHISOR shall use its best efforts to cause the sign(s) to be removed without causing damage to the sign(s) or other property and the FRANCHISOR shall cause the sign(s) to be stored in a place of safekeeping after its removal for a period not to exceed thirty (30) days. The FRANCHISEE shall be obligated to reimburse the FRANCHISOR for all costs associated with sign removal and storage costs. If it does not do so within thirty (30) days after removal of the sign, the FRANCHISOR may dispose of the sign, or

retain it as full compensation for its costs of removal and storage. In the event the FRANCHISOR exercises its first option to purchase any of the items described in Paragraph 20(j), the costs incurred by the FRANCHISOR in sign removal and storage shall be offset against the purchase price of those items.

(j) Upon the termination or expiration of the Term of the Franchise, the FRANCHISOR shall have the first option, exercisable for thirty (30) days, to purchase from the FRANCHISEE at fair market value all approved equipment, fixtures, furniture, signs, supplies, inventory, materials and leasehold improvements owned by the FRANCHISEE and used in the operation of the Franchised Store. If the FRANCHISOR and the FRANCHISEE cannot agree on the fair market value of any such item, such value shall be determined as follows: Equipment, fixtures, furniture and signs shall be valued at cost less depreciation at the rate of two percent (2%) per month, and all materials, supplies and inventory shall be valued at cost.

(k) All obligations of the FRANCHISOR and the FRANCHISEE which expressly or by their nature survive the expiration or termination of the Franchise shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement until they are satisfied in full or by their nature expire.

## 21.) ENFORCEMENT

(a) Each of the FRANCHISOR and the FRANCHISEE shall have the right to seek injunctive relief to (i) enforce its right to terminate this Agreement for the causes enumerated in Paragraph 20 of this Agreement, and (ii) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill associated with the party's business, including, but not limited to, the enforcement of obligations upon termination of this Agreement and the enforcement of the non-compete provisions of this Agreement. The parties may seek the entry of temporary restraining orders, and temporary and permanent injunctions enforcing the aforementioned provisions.

(b) Except insofar as either party elects to enforce this Agreement by judicial process and injunction as hereinabove provided, all disputes and claims arising out of or relating to this Agreement or any provision hereof, or to any specification, standard or operating procedure of the FRANCHISOR or to the breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard or operating procedure or any other obligation of the FRANCHISEE or the FRANCHISOR is illegal, unenforceable or voidable under any law, ordinance or ruling) shall be settled by arbitration at the office of the American Arbitration Association located in Minneapolis, Minnesota, in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise license agreements, if any, otherwise, the general rules of commercial arbitration).

(1) Except with respect to matters for which either party may elect to enforce this Agreement by judicial process and injunction as hereinabove provided, the FRANCHISEE and the FRANCHISOR shall be required to

enter into mediation of all disputes involving this Agreement or any other aspect of the relationship between them, for a minimum of four (4) hours, prior to the initiation of any arbitration or other action or proceeding against the other.

- a. Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence an arbitration hearing or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this paragraph, then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to the FRANCHISOR and the FRANCHISEE. The mediation shall be held within sixty (60) days following receipt by the mediation organization of notification that its services shall be retained. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall be a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity), or in franchise law.
- b. The parties shall equally share the cost of the mediator. The mediator shall select the location for the mediation, giving due consideration to the location that will minimize the total expenses of the mediation.
- c. If either party initiates arbitration or litigation without complying with their obligation to mediate in accordance with this paragraph 21(b)(1) (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this paragraph), then upon petition of any party named as a defendant in such arbitration or litigation, the arbitrator or court shall dismiss the action without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the arbitrator or court refuses for any reason to dismiss the action, then regardless of the outcome of such action, or of any award given by the arbitrator or court in such

action, the party initiating the action shall be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this paragraph.

- (2) Any arbitrator appointed to arbitrate a dispute under this Agreement shall be a lawyer with at least ten (10) years' experience in franchise law, either as a judge or as a practicing lawyer, and shall have the right to award or include in any award the specific performance of this Agreement.
- (3) The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator shall have no authority to add, delete or modify in any manner, the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties prior to the start of the arbitration hearing. The arbitrator shall not have the authority to award punitive or exemplary damages. The arbitrator shall file a reasoned brief with his or her award.
- (4) If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of Paragraph 21(a), the arbitrability of such claim shall be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration shall be made by the arbitrator appointed in accordance with this Agreement.
- (5) Any award from the arbitrator may be appealed under the Optional Rules of the American Arbitration Association.
- (6) Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award shall be binding, final, and nonappealable except (i) as permitted under the United States Arbitration Act, (ii) as permitted under Paragraph 21(b)(5), or (iii) for failure of the arbitrator to meet the requirements of this Paragraph 21(b). Unless this Agreement is terminated in accordance with the provisions of Paragraph 20, during the pendency of the arbitration proceeding, the FRANCHISEE and the FRANCHISOR shall fully perform this Agreement.
- (7) If, after the FRANCHISOR or the FRANCHISEE institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is

nonarbitrable for public policy reasons, the party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counterclaims or defenses in a court having competent jurisdiction.

- (8) All arbitration proceedings will be individual proceedings between the FRANCHISOR and the FRANCHISEE and will not be conducted on a “class basis,” or include any of the FRANCHISOR’s other franchisees as named parties unless the FRANCHISOR and the FRANCHISEE each agree.

(c) The FRANCHISOR and the FRANCHISEE (and the FRANCHISEE’s owners and guarantors) hereby waive, to the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against the other and against any affiliates, owners, employees or agents of the other and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of any actual damages sustained by it and any equitable relief to which it might be entitled.

(d) The FRANCHISOR and the FRANCHISEE (and the FRANCHISEE’s owners and guarantors) each agree that if litigation is commenced, the sole forum for resolving disputes under this Agreement or any aspect of the relationship between the parties shall be the state and federal courts of Minnesota. Such actions shall be exclusively venued in the District Courts of Minnesota, County of Ramsey, or the United States for the District of Minnesota, and the parties waive any objections they may have to either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the foregoing shall be: (1) if the courts of Minnesota would have no jurisdiction over a named party in the litigation, and such party’s involvement in the litigation is integral to the underlying claims and not principally for the purpose of circumventing the intent of the parties to name Minnesota as the exclusive venue for any actions, then the action may be venued in any court having jurisdiction over all the parties and a significant nexus to the parties; and (2) to the extent that either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against the FRANCHISEE, shall be the county in which the FRANCHISEE is domiciled, or the county in which the Franchised Store is located).

(e) The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between the FRANCHISOR and the FRANCHISEE. The FRANCHISOR and the FRANCHISEE therefore each agree that a decision of an arbitrator or court of law in a dispute to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between the FRANCHISOR and the FRANCHISEE. The parties therefore waive the right to assert that principals of collateral estoppel prevent either of

them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

(f) If the FRANCHISEE breaches any provision of this Agreement and the FRANCHISOR consults legal counsel with respect to such breach, or if the FRANCHISOR secures any injunction against the FRANCHISEE, or any other relief by arbitration or otherwise against the FRANCHISEE, or is successful in defending a claim brought against it by the FRANCHISEE in an arbitration or otherwise, the FRANCHISEE shall reimburse all reasonable attorneys' fees and costs incurred by the FRANCHISOR in connection with such matters.

## 22.) INDEPENDENT CONTRACTORS/INDEMNIFICATION

(a) The FRANCHISEE is a franchisee of the FRANCHISOR. The FRANCHISEE shall be conspicuously identified at the premises of the Franchised Store and in all dealings with customers and suppliers as a franchisee. The FRANCHISEE shall also identify itself to its employees as their employer, and inform its employees that neither the FRANCHISOR nor its affiliates are their employer. The FRANCHISEE shall not represent or imply to any person that this Franchise Agreement authorizes the FRANCHISEE to act as agent for the FRANCHISOR.

(b) Neither the FRANCHISOR nor the FRANCHISEE shall be obligated by any agreement, representation or warranty (except warranties specifically authorized by the FRANCHISOR, if any) made by the other, nor shall the FRANCHISOR be obligated for damages to any person or property directly or indirectly arising out of the operation of the Franchised Store or the FRANCHISEE's business conducted hereunder, or caused by the FRANCHISEE's negligence, willful action or failure to act.

(c) The FRANCHISEE agrees to indemnify the FRANCHISOR against, and to reimburse the FRANCHISOR for, all obligations and damages for which the FRANCHISOR is liable and for all costs reasonably incurred by the FRANCHISOR in the defense of any such claim brought against it, or in any such action in which it is named as a party, arising out of any act or omission of FRANCHISEE, or as a result of any activities occurring at the Franchised Store. Such indemnification shall include, without limitation, reasonable attorneys' fees, costs of investigation or proof of facts, court costs, other litigation expenses and travel and living expenses. The FRANCHISOR shall have the right to defend any such claim against it.

(d) The FRANCHISOR agrees to indemnify the FRANCHISEE against, and to reimburse the FRANCHISEE for, any obligation or liability for damages payable to persons other than the FRANCHISEE or its owners attributable to agreements, representations or warranties of the FRANCHISOR, or caused by the negligent or willful action of the FRANCHISOR, and for costs (as hereinabove defined) reasonably incurred by the FRANCHISEE in the defense of any claim brought against it as a result of the foregoing or in any such action in which it is named as a party. The FRANCHISOR shall have the right to participate in and to control any litigation or proceeding which might result in liability of or expense to the FRANCHISEE subject to indemnification by the FRANCHISOR.

(e) The indemnities and assumption of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

23.) MISCELLANEOUS

(a) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, or the United States Arbitration Act (9. U.S.C. § 1 et seq.), this Agreement shall be governed by the laws of the State of Minnesota. With respect to franchises governed by Minnesota law, the FRANCHISOR will comply with Minn. Stat. § 80C.14, subs. 3, 4, and 5 which 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 non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld. Notwithstanding anything set forth in this Agreement to the contrary, with respect to franchises governed by Minnesota law, Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the FRANCHISOR from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the FRANCHISEE to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Agreement can abrogate or reduce any of the FRANCHISEE'S rights as provided for in Minnesota Statutes, Chapter 80C, or the FRANCHISEE'S rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. The parties agree, however, that if the FRANCHISEE is not a resident of Minnesota, and if the Franchised Store is not located in Minnesota, then they hereby waive the provisions of the Minnesota Franchise Act, Minnesota Statutes, Section 80C.01, et seq. and the regulations promulgated thereunder.

(b) This Agreement is binding upon the parties hereto, their respective heirs, assigns and successors in interest.

(c) The introduction, recitals and exhibits hereto are a part of this Agreement, which constitutes the entire agreement of the parties, and at the time of this Agreement, there are no other oral or written understandings or agreements between the FRANCHISOR and the FRANCHISEE relating to the subject matter of this Agreement. Specifically, the FRANCHISEE acknowledges that it has entered into this Agreement after making an independent investigation of the FRANCHISOR's operations and not upon any representation as to profits which the FRANCHISEE might be expected to realize, nor has anyone made any other representation to induce the FRANCHISEE to accept the Franchise granted hereunder and to execute this Agreement which is not expressly set forth herein or in the Franchise Disclosure Document provided by the FRANCHISOR to the FRANCHISEE that the FRANCHISEE acknowledges having received at least fourteen (14) calendar days prior to its execution of this Agreement.

(d) The headings of the several paragraphs above are for convenience only and do not define, limit or construe the contents thereof. The term "FRANCHISEE" as used herein is applicable to one (1) or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and the masculine and feminine usages

include the other and the neuter. References to “the FRANCHISEE” applicable to any individual shall mean the principal owner or owners of the equity or operating control of the FRANCHISEE if the FRANCHISEE is a corporation or partnership. If there is more than one signatory as the “FRANCHISEE,” all of the FRANCHISEE’s obligations under this Agreement and under any other agreements with the FRANCHISOR or its affiliates shall be joint and several in each and every respect and fully enforceable against each signatory.

(e) The FRANCHISOR and the FRANCHISEE agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed simply according to its fair meaning and not strictly against the FRANCHISOR or the FRANCHISEE.

(f) Except as otherwise expressly stated in this Agreement, any consent or approval required to be obtained from the FRANCHISOR, or decision to be made by the FRANCHISOR, may be granted or made by the FRANCHISOR in its sole and exclusive business judgment, which may take into account the FRANCHISOR’S assessment of, among other things, the long-term interests of the FRANCHISOR, the System of Operation, and the Marks, without regard to its effect on any individual franchisee or store. The FRANCHISOR’S judgment shall prevail, even in cases where other alternatives may be reasonable, so long as the FRANCHISOR is intending to benefit or is acting in a way that could benefit the System of Operation, enhance the value of the Marks, increase customer satisfaction, or minimize possible consumer, brand or location confusion. If the FRANCHISOR’S activities or decisions are supported by its business judgment, no court or judge or trier of fact, or any other person reviewing those activities or decisions may substitute his, her or its judgment for the FRANCHISOR’S judgment, in recognition of the fact that the long-term goals of a franchise system, and the long-term interests of both the FRANCHISOR and its franchisees taken together, require that the FRANCHISOR have the latitude to exercise its business judgment in administering, managing and overseeing the System of Operation.

(g) It is the desire and intent of the FRANCHISOR and the FRANCHISEE that the provisions of this Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid or unenforceable, such adjudication is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. The FRANCHISOR and the FRANCHISEE shall substitute a valid and enforceable provision for any specification, standard, operating procedure, rule or other obligation of the FRANCHISEE or the FRANCHISOR which is determined to be invalid or unenforceable and is not waived by the other.

(h) The FRANCHISOR and the FRANCHISEE, by written instrument, may unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by the FRANCHISOR of any payment by the FRANCHISEE and no failure, refusal or neglect of the FRANCHISOR or the FRANCHISEE to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder or with any specification, standard or operating procedure shall constitute a waiver of any provision of this Agreement or any specification, standard or operating procedure; provided, however, that failure, neglect or delay of a party to exercise any right under this Agreement or to insist upon full compliance by the other party with its obligations under this Agreement, shall constitute a waiver of any default, misrepresentation, violation of law, deficiency or breach, and shall preclude exercise or enforcement of any right or remedy arising therefrom unless written notice of the default, misrepresentation, violation of law, deficiency or breach is provided by the nondefaulting party to the other party within eighteen (18) months after the default, misrepresentation, violation of law, deficiency or breach occurs, but the waiver of any prior deficiency or breach of any provision of this Agreement shall not affect the obligation of the party to comply with the obligation or provision in the future, provided, however, that this waiver will not apply to the FRANCHISEE's underreporting of Gross Receipts, or under payment of any fees the FRANCHISEE owes to the FRANCHISOR that are tied to the amount of Gross Receipts, or to any indemnification obligation the FRANCHISEE has to the FRANCHISOR hereunder. No exercise or enforcement by the FRANCHISOR or the FRANCHISEE of any right or remedy hereunder shall preclude the exercise or enforcement by the FRANCHISOR or of the FRANCHISEE of any other right or remedy hereunder or which the FRANCHISOR or the FRANCHISEE is entitled by law to enforce. No modification of this Agreement shall be valid unless such modification is in writing and signed by the FRANCHISEE and the FRANCHISOR.

(i) All written notices permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered when delivered by hand or three (3) days after placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

(j) The FRANCHISEE represents and warrants that to its actual and constructive knowledge: (i) neither it (including its directors, officers and managers), nor any of its affiliates, or any funding source for the Franchised Store, are identified on the list at the United States Treasury's Office of Foreign Assets Control; (ii) neither it nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither it nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither it nor any of its affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither it nor any of its affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of

this Agreement, neither it nor any of its affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. The FRANCHISEE agrees to notify the FRANCHISOR in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

(k) This Agreement may be signed in counterparts, each of which shall constitute an original.

(l) Because complete and detailed uniformity under many varying conditions may not be possible or practical, the FRANCHISOR specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which the FRANCHISOR deems to be of importance to the successful operation of such franchise owner's business. The FRANCHISEE shall not complain on account of any variation from standard specifications and practices granted to any other franchise owner and shall not be entitled to require the FRANCHISOR to grant to the FRANCHISEE a like or similar variation.

IN WITNESS WHEREOF, the FRANCHISOR and the FRANCHISEE have executed this Agreement the day and year first above written.

FRANCHISEE:

\_\_\_\_\_  
  
\_\_\_\_\_

FRANCHISOR:

M.G.M. LIQUOR STORES, INC.

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

## GUARANTY

IN CONSIDERATION of the consent by M.G.M. Liquor Stores, Inc. (the FRANCHISOR) to the assignment or transfer of the Franchise Agreement to which this Guaranty is attached (the Franchise Agreement), and for other good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to the FRANCHISOR and to the affiliates of the FRANCHISOR, and to the successors and assigns of such parties, the payment of all fees required to be paid to the FRANCHISOR and its affiliates by the party named as the franchisee in the Franchise Agreement (the FRANCHISEE), whether such fees are provided for in the Franchise Agreement or under any other agreement between the FRANCHISOR or an affiliate of the FRANCHISOR, ("Other Agreements") on the one hand, and the FRANCHISEE, on the other, and the performance by the FRANCHISEE of all its obligations under all such agreements. The undersigned further specifically agree to remain individually bound by all covenants, obligations and commitments of the FRANCHISEE contained in the Franchise Agreement and Other Agreements to the same extent as if each of the undersigned had individually been named as the FRANCHISEE in such agreements and had individually executed such agreements as the FRANCHISEE. Each of the undersigned represent and warrant that, through family relationships, or otherwise, they have or will have a financial interest in the FRANCHISEE, and further acknowledge that the FRANCHISOR would not have granted a Franchise to the FRANCHISEE absent the representations of the undersigned contained herein, and the agreements of the undersigned as set forth in this Guaranty.

The undersigned understand and agree that any modification of the Franchise Agreement or Other Agreements, including any addendum or addenda thereto, or waiver by the FRANCHISOR of the performance by the FRANCHISEE of its obligations thereunder, or the giving by the FRANCHISOR of any extension of time for the performance of any of the obligations of the FRANCHISEE thereunder, or any other forbearance on the part of the FRANCHISOR or any failure by the FRANCHISOR or its affiliates to enforce any of its rights under any such agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of the FRANCHISEE is so released, terminated, or affected or diminished. Notice to the undersigned of any such modification, waiver, extension or forbearance under the terms thereof is hereby waived. The undersigned further understand and agree that no bankruptcy or reorganization of the FRANCHISEE, and no sale, transfer or relinquishment of any interest the undersigned may have in the FRANCHISEE, shall release or otherwise affect the obligations of the undersigned to pay all fees provided for in all agreements between the FRANCHISEE and the FRANCHISOR or its affiliates, or otherwise owing to the FRANCHISOR or its affiliates, and to perform all the provisions of such agreements, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of the FRANCHISEE contained in the Franchise Agreement and Other Agreements to the same extent as if each of the undersigned had individually executed the Franchise Agreement and Other Agreements as the FRANCHISEE.

This Guaranty shall be enforceable upon ten (10) days written notice by the FRANCHISOR to any of the undersigned of any default by the FRANCHISEE of any of its covenants under the terms of the Franchise Agreement or Other Agreements and any addendum or addenda thereto.

The undersigned hereby waive any and all notice of default on the part of the FRANCHISEE; waive exhausting of recourse against the FRANCHISEE; and consent to any assignment of the Franchise Agreement and Other Agreements, in whole or in part, that the FRANCHISOR or its affiliates, or their assignees may make.

This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of the FRANCHISOR. This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

GENERAL RELEASE  
[USED IN EVENT OF TRANSFER]

In consideration of the agreement of M.G.M. LIQUOR STORES, INC. ("Franchisor") to consent to the transfer by \_\_\_\_\_ ("Franchisee") of its Franchise Agreement dated \_\_\_\_\_ between Franchisee and Franchisor (the "Agreement"), Franchisee hereby releases and forever discharges Franchisor, its directors, officers, shareholders, and affiliates, and their respective employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns, from any and all claims Franchisee may have against such parties, known and unknown, from the beginning of time to the date hereof, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement.

NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE OUTLET IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.

\_\_\_\_\_

DATE: \_\_\_\_\_

EXHIBIT F  
RENEWAL ADDENDUM

## RENEWAL ADDENDUM

THIS RENEWAL ADDENDUM (the Addendum) is entered into as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between M.G.M. LIQUOR STORES, INC., a Minnesota corporation (Franchisor) and \_\_\_\_\_ (Franchisee).

### INTRODUCTION

Franchisor and Franchisee have been parties to a franchise agreement under which Franchisee has operated an MGM Wine & Spirits® store at \_\_\_\_\_, \_\_\_\_\_ under a franchise agreement that expires on \_\_\_\_\_. Pursuant to the terms of the expiring franchise agreement, Franchisee has the right to renew that franchise upon meeting certain conditions. One of the conditions for renewal is that Franchisee sign Franchisor's then current form of franchise agreement and any ancillary agreements used at the time of renewal. However, Franchisor's current form of franchise agreement contains a number of pre-opening obligations on the part of both parties that are not applicable on renewal, and it requires payment of an initial franchise fee that is not required upon renewal. Therefore, the parties have executed Franchisor's current form of franchise agreement as of the date hereof (the Franchise Agreement), but wish to amend that agreement as set forth in this Addendum.

NOW, THEREFORE, the parties hereto agree to amend the Franchise Agreement as follows:

- 1.) Effective Date. The Franchise Agreement, as amended by this Addendum, shall be effective \_\_\_\_\_ (the "Effective Date"), provided Franchisee meets the following additional obligations prior to the Effective Date:

If the foregoing obligations have not been met prior to the Effective Date, then the Franchise Agreement shall not become effective and all franchise rights of Franchisee shall expire on \_\_\_\_\_. Franchisor has also recommended to Franchisee that it make any modifications and remodeling to the Franchised Store that are necessary to bring any aspect of the Franchised Store or operation thereof up to the current standards of the Franchisor. Franchisor has strongly recommended such modifications be made as a necessary element to maximize the revenues of the Franchised Store, but Franchisor hereby waives the requirement that such modifications and remodeling (except as described above) be completed as a condition to renewal of the Franchise.

- 2.) Pre-Opening Obligations. Because the Franchised Store is already open, all obligations of either party that are required to be performed prior to the opening of ~~the Franchised~~ the Franchised Store are hereby waived. Such waiver shall not, however, constitute a waiver of any similar obligation that may otherwise apply if the Franchised Store is moved (with Franchisor's consent) or remodeled.
  
- 3.) Initial Franchise Fees. The provisions of Paragraph 4 of the Franchise Agreement, requiring the payment of another Initial Franchise Fee, are hereby deleted.
  
- 4.) Franchisee's Lease of Premises. If Franchisee's current lease for the premises on which the Franchised Store is operated (the Premises) does not comply with the requirements of Paragraph 9 of the Franchise Agreement, Franchisor agrees to waive the requirements of Paragraph 9 of the Franchise Agreement for the pendency of the current lease for the Premises, provided that any new or renewed lease for the Premises conforms to the provisions of Paragraph 9 of the Franchise Agreement.
  
- 5.) General Release. In consideration of the agreement of Franchisor to renew Franchisee's MGM® franchise, Franchisee hereby releases and forever discharges Franchisor, its shareholders, directors, officers, employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns, from any and all claims Franchisee may have against them, known and unknown, from the beginning of time to the date hereof, whether in law or in equity, including but not limited to any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Franchise Agreement dated \_\_\_\_\_, between Franchisee and Franchisor, or any other agreement between Franchisee and Franchisor.
  
- 6.) Ratification. Except as specifically amended by this Addendum, the parties hereby ratify and reaffirm their obligations under the Franchise Agreement. All capitalized terms used in this Addendum will have the same meaning as provided for in the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as of the date first above written.

FRANCHISOR:

FRANCHISEE:

M.G.M. LIQUOR STORES, INC.

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT G  
TRANSFER FORMS

FRANCHISE ASSIGNMENT, SALE AND TRANSFER  
(to controlled Entity)

A. Assignment and Sale

Pursuant to Paragraph 17(c)(1) of the Franchise Agreement dated \_\_\_\_\_, by and between the undersigned Transferor and M.G.M. Liquor Stores, Inc. (the Agreement), I hereby transfer subject to approval by M.G.M. Liquor Stores, Inc. (the Company), all my rights, in the Agreement, effective as of the date set forth below, to the Transferee named below (the Transferee).

\_\_\_\_\_  
Name of New FRANCHISEE (Transferee)

\_\_\_\_\_  
Address of Transferee

\_\_\_\_\_  
City, State and Zip Code

\_\_\_\_\_  
Signature of Original FRANCHISEE (Transferor – \_\_\_\_\_)

\_\_\_\_\_  
Date

B. Acceptance of Transfer

The Transferee hereby accepts transfer of the Agreement and agrees to be bound by all of the provisions of the Agreement and to assume all of the obligations required of the FRANCHISEE named herein.

\_\_\_\_\_  
(name of Transferee)

By: \_\_\_\_\_ Dated: \_\_\_\_\_  
Signature  
Its:

C. Approval of Transfer

It is hereby agreed that the transferee named above is approved and accepted as FRANCHISEE for the Franchised Store described in the Agreement and is authorized to exercise all rights and obligations of the FRANCHISEE named in the Agreement, including the right to renew the Agreement upon expiration thereof, pursuant to the terms of the Agreement; provided, however, that such acceptance does not release the Transferor of its obligations under the Agreement as set forth above.

M.G.M. LIQUOR STORES, INC.

Dated: \_\_\_\_\_

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

FRANCHISE ASSIGNMENT, SALE AND TRANSFER

A. Assignment and Sale

Pursuant to Paragraph 17(c)(2) of the Franchise Agreement dated \_\_\_\_\_, by and between the undersigned Transferor and M.G.M. Liquor Stores, Inc. (the Agreement) for the operation of an MGM Wine & Spirits store at \_\_\_\_\_ (the "Store"), I hereby transfer subject to approval by M.G.M. Liquor Stores, Inc. (the Company), all my rights, in the Agreement, effective \_\_\_\_\_, to the transferee named below. To induce the Company to approve this assignment, the Transferor also:

1. ~~Subordinate~~Subordinates any payments due to ~~me~~it from the transferee named below or its assigns (collectively, the Transferee) to any obligations the Transferee may have to the Company or its affiliates under the Franchise Agreement or otherwise. If the Company notifies ~~me~~the Transferor of a default by the Transferee of its obligations to the Company ~~under or its affiliates~~, the ~~Franchise Agreement, I~~Transferor will not accept any further amounts that may be owed to ~~me~~it by the Transferee until the Company has confirmed, in writing, that such defaults have been cured. If for any reason the Transferor receives any such payments following notice from the Company, it will immediately remit such payments to the Company to be applied, as the Company determines, to the obligations owing to the Company or its affiliates by the Transferee.
2. Release the Company and its affiliates, and their respective officers, directors, shareholders, members, employees and agents, from all actions and claims ~~I~~it may have against them, known and unknown, in law or in equity, arising out of their sale to ~~me~~the Transferor of the Franchise, whether arising out of the Franchise Agreement or any other agreement ~~I have~~the Transferor has with the Company or its affiliates, or in connection with ~~my~~the Transferor's operation of the Franchise or any other franchise ~~I~~the Transferor or its affiliates have with the Company, from the beginning of time to the date hereof, including, but not limited to, any claims arising under the Agreement.
3. Indemnify the Company against all claims brought against the Company by the Transferee for a period of three (3) years following the transfer to the extent such claims involve or arise out of any representation or commitment made or allegedly made to the Transferee by the undersigned, which indemnification shall include attorneys' fees incurred in defending such claims and in enforcing this indemnification.
4. Agree not to own, operate, consult with, or be employed by, any off-sale retail liquor store other than one operated under a valid franchise agreement with the Company, for a period of three (3) years following the transfer, within a radius of five (5) miles from the location of the store that is subject to the Agreement, or within a radius of five (5) miles from the location of any other MGM Liquor Warehouse<sup>®</sup> or MGM Wine & Spirits<sup>®</sup> store now in existence.

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Name of New FRANCHISEE (Transferee)

---

Address of Transferee

---

City, State and Zip Code

---

Signature of Original FRANCHISEE (Transferor)

---

Date

B. Acceptance of Transfer

The Transferee hereby accepts transfer of the Agreement and agrees to be bound by all of the provisions of the Agreement and to assume all of the obligations required of the FRANCHISEE named herein, pending execution by the ~~undersigned~~ Transferee of a new franchise agreement with the Company for the operation of the Store, which new agreement shall thereafter replace and supersede the Agreement.

\_\_\_\_\_ (name of Transferee)

By: \_\_\_\_\_  
Signature  
Its:

Dated: \_\_\_\_\_

C. Approval of Transfer

It is hereby agreed that the transferee named above is approved and accepted as a franchisee for the operation of the Store, subject to the execution by such transferee of a franchise agreement with the Company for the operation of the Store.

M.G.M. LIQUOR STORES, INC.

Dated:

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

~~4863-1484-1413, v. 2~~  
4883-6483-6508, v. 3

EXHIBIT H

SIGN LEASE

## SIGN LEASE AGREEMENT

THIS SIGN LEASE AGREEMENT (the "Lease Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between M.G.M. LIQUOR STORES, INC., a Minnesota corporation ("Lessor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Lessee").

### RECITALS

Lessor offers franchises for the operation of off-sale retail liquor stores under the MGM Wine & Spirits® mark and other names, marks and systems.

Lessee obtained the right to operate an MGM Wine & Spirits® store (the "Franchised Business") pursuant to a franchise agreement by and between Lessor and Lessee dated \_\_\_\_\_, \_\_\_\_\_ (the "Franchise Agreement").

In connection with the Franchised Business, Lessee is required to lease certain exterior signage from Lessor pursuant to the terms of this Lease Agreement.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto and the mutual benefits to be gained by the performance hereof, the parties hereto agree as follows:

1) Lease. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the exterior signage described in Schedule 1 attached hereto, together with any and all lighting, electrical hookups and other accessories incorporated therein or attached thereto (collectively, the "Signage").

2) Rent. As consideration for the rights granted to Lessee as set forth herein, Lessee shall pay Lessor the amount of Fifty-five Dollars (\$55.00) per month, payable on the tenth (10<sup>th</sup>) day of each month, beginning the month after the opening of the Franchised Business. In addition to said rental payments, Lessee shall pay the amount of all maintenance, repairs, insurance, and other costs and expenses as hereinafter set forth, payment thereof to be made when due to the person or entity entitled thereto.

3) Term of Lease. This Lease Agreement shall commence as of the date hereof and continue until the expiration of the Franchise Agreement, or earlier termination of this Lease Agreement or the Franchise Agreement, for any reason.

4) Warranties and Waivers. LESSOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE CONDITION, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER MATTER CONCERNING THE SIGNAGE. LESSEE HEREBY WAIVES ANY CLAIM IT MIGHT HAVE AGAINST LESSOR FOR ANY LOSS, DAMAGE, OR EXPENSE CAUSED BY THE SIGNAGE OR BY ANY DEFECT THEREIN, THE INSTALLATION, USE OR MAINTENANCE THEREOF, OR THE

SIGN LEASE

SERVICING OR ADJUSTMENT THERETO, AND, AS TO LESSOR, LEASES THE SIGNAGE "AS IS, WHERE IS." If the Signage does not operate as represented or warranted by the manufacturer or seller thereof, or is unsatisfactory for any reason, Lessee shall, at its own expense, make any claim on account thereof solely against the manufacturer or seller and no such occurrence shall relieve Lessee of any of its obligations hereunder.

5) Installation, Location and Right of Inspection. Lessor shall install the Signage on the exterior of Lessee's Franchised Business in a location determined by Lessor, in its sole and absolute discretion, and Lessee shall not move the Signage from such location without the prior written consent of Lessor. Lessor shall not be liable for any damage to the realty or any building caused by the installation of the Signage. Lessor shall at any and all times during normal business hours have the right to enter into and upon the premises of the Franchised Business for the purpose of inspecting the Signage or observing its use.

6) Use. Lessee shall use the Signage carefully and shall comply with all laws, ordinances, or regulations relating to the use, operation, and/or maintenance of the Signage. Lessee shall (i) keep and maintain the Signage in good working order and condition, (ii) procure and maintain any permits, licenses and authorizations required for operation of the Signage, (iii) maintain insurance on the Signage in accordance with Lessor's reasonable requirements, and (iv) bear the risk of all loss, damage and destruction of the Leased Assets. If the Signage is required to be replaced, Lessee shall replace the Signage, at Lessee's cost, with such signage as is then approved by Lessor for new off-sale retail liquor stores operating under the MGM Wine & Spirits® mark, and such substitute signage shall for all purposes be deemed the Signage leased to Lessee under this Lease Agreement.

7) Ownership. The Signage is and shall at all times remain the sole and exclusive property of Lessor. Lessee shall have no right, title, or interest therein or thereto except as expressly set forth in this Lease Agreement. The Signage shall remain personal property regardless of whether it becomes affixed or attached to real property or any improvement thereon. Lessor is hereby authorized to cause a UCC-1 financing statement, showing the interest of the Lessor in the Signage, to be filed or recorded with any governmental office deemed appropriate by Lessor.

8) Surrender. Upon the expiration or other termination of this Lease Agreement, Lessee shall surrender and return possession of the Signage to Lessor, in good condition, repair, and working order, ordinary wear and tear resulting from proper use thereof excepted. Lessee shall have the duty to remove the Signage from the Franchised Business or the premises whereon the same is located, whether or not affixed or attached to the realty or any building, at the sole risk, cost and expense of Lessee. Signage returned to the Lessor shall be properly prepared for shipment and shall be shipped in accordance with Lessor's instructions, at Lessee's expense and with insurance and freight charges prepaid by Lessee to a point designated by Lessor. If Lessee fails to return the Signage to Lessor in accordance with this Section 8 upon expiration or other termination of this Lease Agreement, Lessor may enter into and upon the premises of the Franchised Business for the purpose of removing and taking possession of the Signage. Lessor shall not be liable for any damage to the realty or any building caused by the removal of the Signage, and Lessee shall be liable to Lessor for any and all costs incurred by Lessor due to Lessor's removal of the Signage.

SIGN LEASE

9) Default. If, with regard to the Signage:

(a) Lessee shall fail to make any rent payment within ten (10) days after Lessee receives written notice from Lessor that such payment is due and payable; or

(b) Lessee shall fail to make any other payment or perform or observe any other covenant, condition, or agreement to be performed or observed by it hereunder and such failure shall continue for a period of ten (10) days after written notice thereof by Lessor; or

(c) Lessee shall become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or a receiver shall be appointed for Lessee or for a substantial part of its property without Lessee's consent and shall not be dismissed for a period of thirty (30) days, or any bankruptcy, reorganization, or insolvency proceedings shall be instituted by or against Lessee and, if instituted against Lessee, shall not be dismissed for a period of thirty (30) days, or if Lessee's business is dissolved, terminated or discontinued; or

(d) Lessee attempts to remove, sell, or transfer the Signage without Lessor's prior written consent, then Lessor may, at its option, declare this Lease Agreement to be in default and this Lease Agreement shall automatically terminate upon Lessor's delivery of written notice of such default and termination to Lessee.

Lessor may exercise any other right or remedy which may be available to it under any applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof. In addition, Lessee shall continue to be liable for all indemnities under this Lease and for all legal fees and other costs and expenses resulting from the foregoing defaults or the exercise of Lessor's remedies, including placing any Signage in the condition required by Section 8 hereof.

10) Non-Waiver. No waiver of any Lessee's obligations, conditions, or covenants shall be deemed to take place except such waiver that may be in writing and signed by Lessor. Failure to exercise such remedies which Lessor may have hereunder or any other acquiescence in the default of Lessee by Lessor shall not constitute a waiver of any obligation of Lessee, including if applicable the obligation in which Lessee is in default, and Lessor shall be entitled to pursue any remedy available to it hereunder or at law or equity until Lessee has rendered complete performance of all obligations hereunder.

11) Notice. All notices, requests, demands and other communications or deliveries required or permitted under this Lease Agreement shall be deemed to have been duly given when made in writing, addressed to the address set forth for the delivery of notices in the Franchise Agreement, and either delivered personally; or three (3) days after having been deposited for mailing if sent by registered mail, or certified mail return receipt requested; or next day delivery if delivered by overnight courier (such as Federal Express) if evidence of actual receipt is provided; or by facsimile transmission, if evidence of actual receipt is provided, the same day as the facsimile transmission.

SIGN LEASE

12) Governing Law; Jurisdiction; Venue. This Lease Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota. The sole forum for litigation arising under this Lease Agreement shall be the state or federal courts of Minnesota. Those actions shall be exclusively venued either in the District Courts of Minnesota, County of Ramsey, or the United States District Court for the District of Minnesota, and each party hereto consents to the personal jurisdiction and venue of such courts.

13) Costs of Enforcement. Lessee agrees that it shall be responsible for and shall promptly pay, upon demand, all costs and expenses incurred by Lessor, including, but not limited to, reasonable attorneys' fees and court costs, in collecting any rental payments or other amounts owed by Lessee under this Lease Agreement and in enforcing any other rights of Lessor or any other obligations of Lessee under this Lease Agreement.

14) Limitation; Severability of Provisions. Any provision of this Lease Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective, to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

15) Entire Agreement. This Lease Agreement sets forth the entire understanding between the parties relating to the subject matter contained herein. No term or provision of this Lease Agreement may be changed, waived, discharged, or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge, or termination is sought.

16) Counterparts. This Lease Agreement may be executed in one or more counterparts, each of which individually shall be deemed an original and all of which taken together shall constitute but one agreement.

17) Miscellaneous. Time is of the essence in this Lease Agreement. If there should be more than one party executing this Lease Agreement as Lessee, all obligations hereunder to be performed by Lessee shall be the joint and several liability of all such parties. This Lease Agreement shall be binding upon and shall inure to the benefit of all parties hereto, their heirs, executors, administrators, successors, and assigns and the parties hereby agree for themselves and their heirs, executors, administrators, successors, and assigns to execute any instruments and to perform any acts which may be necessary or property to carry out the purposes of this Lease Agreement. The captions in this Lease Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. As used herein, the term "Lease Agreement" shall include all exhibits and schedules related thereto. Wherever the context permits, the Lessee's representations, warranties, and covenants hereunder shall survive the delivery and return of the Signage leased hereunder.

IN WITNESS WHEREOF, the Parties have executed this Sign Lease Agreement as of the day and year first above written.

LESSOR:

LESSEE:

SIGN LEASE

M.G.M. LIQUOR STORES, INC.

\_\_\_\_\_

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

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

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

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

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

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

SIGN LEASE

**SCHEDULE 1  
TO SIGN LEASE AGREEMENT**

Lessee leases the following Signage:

EXHIBIT I

See attached Master Table of Contents



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### 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>	
Minnesota	<del>2023</del> _____, <u>2024</u>	
Wisconsin	<del>2023</del> _____, <u>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.

## 23 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 M.G.M. Liquor Stores, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale **(or sooner if required by applicable state law)**.

If M.G.M. Liquor Stores, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the State Agency listed on Exhibit B.

Our authorized agents to receive service of process on our behalf in the different states are indicated in Exhibit B.

The franchisor is M.G.M. Liquor Stores, Inc., located at 2550 University Avenue West, Suite 230S, St. Paul, Minnesota 55114, telephone: (651) 487-1006.

The name, principal business address, and telephone number of the franchise seller(s) offering this franchise is/are: Paul Setter, 2550 University Avenue West, Suite 230S, St. Paul, Minnesota 55114, (651) 487-1006.

I have received a Franchise Disclosure Document with an issuance date of March ~~24~~<sup>22</sup>, ~~2023~~<sup>2024</sup> (see page entitled "State Specific Effective Dates" for the effective dates in Minnesota and Wisconsin). This Disclosure Document included the following exhibits:

- A. State Addenda to Franchise Disclosure Document
- B. State Agencies/Agents for Service of Process
- C. List of Stores
- D. Financial Statements
- E. Franchise Agreement and Guaranty
- F. Renewal Addendum
- G. Transfer Forms
- H. Sign Lease
- I. Table of Contents of Operations Manual

Please indicate the date on which you received this Disclosure Document, then sign and print your name below, indicate the date you sign this receipt, and promptly return one completed copy of the receipt to Paul Setter, at 2550 University Avenue West, Suite 230S, St. Paul, Minnesota 55114. The second copy of the Receipt is for your records.

Date Disclosure Document Received:

Date Receipt Signed:

\_\_\_\_\_

Prospective Franchisee's Signature

\_\_\_\_\_

Print Name

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

\_\_\_\_\_

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

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