FRANCHISE DISCLOSURE DOCUMENT

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Vitamin Shoppe Franchising, LLC
A Delaware limited liability company
300 Harmon Meadow Blvd.
Secaucus, New Jersey 07094
(201) 552-6400
TVSfranchising@vitaminshoppe.com
www.ownavitaminshoppe.com

The franchise offered is to develop and operate under "THE VITAMIN SHOPPE®" name and other trademarks which features standards, specifications, procedures and methods utilized in connection with the development and operation of specialty retail stores which offer and sell vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products in stores.

The total investment necessary to begin operation of a new The Vitamin Shoppe Store is $492,900 to $944,900. This includes $386,900 to $445,900 that must be paid to the franchisor or affiliate. If you want development rights, you must pay us a development fee for all of The Vitamin Shoppe Stores you agree to develop (the amount of which depends on the number of Stores to which you commit). The total investment necessary to begin operation if you acquire development rights (for a minimum of two Stores) is $517,900 to $969,900. This includes $411,900 to $470,900 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of each additional Store that you develop (over the two-Store minimum) is $478,000 to $930,000. This includes $372,000 to $431,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Carlos Lopez, at 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094, (201) 552-6095, Carlos.Lopez@vitaminshoppe.com.

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

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

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

Issuance date: April 25, 2022

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in its then-current home state (currently New Jersey). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in its then-current home state (currently New Jersey) than in your own state.

2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. **Mandatory Minimum Payments**. You must make mandatory minimum royalty or advertising fund contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

4. **Performance Required**. You must maintain minimum performance levels. Failure to satisfy your development obligations may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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.

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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

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

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

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa, Lansing, Michigan 48933
(517) 335-7567

Notwithstanding paragraph (f) above, we intend to enforce fully the provisions of the arbitration section of our Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

TABLE OF CONTENTS

ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	3
ITEM 3	LITIGATION	6
ITEM 4	BANKRUPTCY	6
ITEM 5	INITIAL FEES	6
ITEM 6	OTHER FEES	7
ITEM 7	ESTIMATED INITIAL INVESTMENT	12
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	16
ITEM 9	FRANCHISEE'S OBLIGATIONS	20
ITEM 10	FINANCING	22
ITEM 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	23
ITEM 12	TERRITORY	32
ITEM 13	TRADEMARKS	36
ITEM 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	38
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	39
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	40
ITEM 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	41
ITEM 18	PUBLIC FIGURES	45
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	45
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	53
ITEM 21	FINANCIAL STATEMENTS	60
ITEM 22	CONTRACTS	60
ITEM 23	RECEIPTS	60

EXHIBITS

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit D	Operations Manual Table of Contents
Exhibit E	List of State Agencies/Agents for Service of Process
Exhibit F	Franchisee Representations Document
Exhibit G	Form of General Release
Exhibit H	State-Specific Additional Disclosures and Agreement Riders
Exhibit I	List of Franchisees
Exhibit J	Loan Documents

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT H.

Item 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The franchisor is Vitamin Shoppe Franchising, LLC ("we," "us," or "our"). "You" means the entity to which we grant a franchise and, if applicable, development rights. Owners of a ten percent (10%) or more ownership interest in you must sign our "Guaranty and Assumption of Obligations." This means all of our Franchise Agreement's provisions (Exhibit B) also will apply to those owners.

We are a Delaware limited liability company formed on November 12, 2020. Our principal business address is 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094. We conduct business primarily under our limited liability company name, "The Vitamin Shoppe®" trademark, and no other name. We have no predecessors.

Parents, Predecessors

Our direct parent company currently is Vitamin Shoppe Industries, LLC ("VS Industries"), which shares our principal business address. VS Industries has never offered franchises in any line of business. VS Industries owns and operates all of the company-owned Stores. As of December 25, 2021, there were 681 Stores open and operational throughout the United States. In addition, as of December 25, 2021, VS Industries currently operates 30 retail businesses primarily located in the State of Washington, with a few locations in Idaho and Oregon, under the name "Super Supplements". Businesses have been in operation under the "Super Supplements" name since 1994. Super Supplements businesses generally have a bigger footprint and the product assortment is more focused on vitamins and supplements than The Vitamin Shoppe Stores.

Our affiliate, Vitamin Shoppe Procurement Services, LLC, a Delaware limited liability company, which shares our business address, owns The Vitamin Shoppe trademarks and other intellectual property ("Marks"), defined herein and licenses them to us. We have no other affiliates currently disclosable in this Item 1. If we have an agent in your state for service of process, we disclose that agent in Exhibit E.

In September 2019, our indirect parent, Liberty Tax, Inc. changed its name to Franchise Group, Inc. ("FGI"). The principal business address of FGI is 109 Innovation Court, Suite J, Delaware, Ohio 43015. FGI has guaranteed our performance to franchisees under the Franchise Agreement (see Item 21). FGI is a publicly traded company that has a number of direct or indirect subsidiaries which currently offer and sell franchises in the United States. None of these affiliated franchise programs operate a Vitamin Shoppe franchise.

FGI's Other Franchise Programs

Buddy's Franchising and Licensing LLC, a Florida limited liability company, ("Buddy's"), offers franchises for specialty retail businesses engaged in rent-to-own leasing (also referred to as "lease purchase") and selling consumer electronics, residential furniture, appliances and household accessories that operate under the trade name "BUDDY'S HOME

FURNISHINGS" and other trademarks, service marks, trade names and commercial symbols. Buddy's does not operate any Buddy's retail businesses, however, Buddy's parent company, Buddy's Newco, LLC, a Delaware limited liability company ("Buddy's Newco") owns and operates company-owned Buddy's retail businesses. The primary business address for Buddy's is 8529 Southpark Circle, Suite 150, Orlando, Florida 32819. As of December 31, 2021, there were 276 franchised Buddy's retail businesses, and 37 company-owned Buddy's retail businesses open and operating. Buddy's has not offered franchises in any other line of business.

American Freight Franchisor, LLC, a Delaware limited liability company, ("AF"), offers franchises for specialty retail businesses engaged in selling furniture, appliances and mattresses under the trade name "AMERICAN FREIGHT" and other trademarks, service marks, trade names and commercial symbols. AF does not operate any American Freight retail businesses. However, an affiliate, American Freight, LLC, a Delaware limited liability company ("AF LLC") owns and operates company-owned American Freight retail businesses. The primary business address for AF is 109 Innovation Court, Suite J, Delaware, Ohio 43015. As of December 31, 2021, there was 1 franchised American Freight retail business, and 250 company-owned American Freight retail businesses open and operating. AF has not offered franchises in any other line of business.

PSP Franchising, LLC, a Delaware limited liability company ("PSP") offers franchises for the establishment and operation of retail stores under the Pet Supplies Plus name and other trademarks offering pet food, pet supplies, pets, pet grooming and bathing services, and related products and services ("Pet Supplies Plus Stores"). PSP does not operate any Pet Supplies Plus Stores. However, its parent company, PSP Stores, LLC has operated company-owned stores that are similar to the franchises offered by PSP. The primary business address for both PSP and PSP Stores, LLC is 17197 N. Laurel Park Drive, Suite 402, Livonia, Michigan 48152. As of December 2021, there were 374 franchised Pet Supplies Plus Stores and 229 company-owned Pet Supplies Plus Stores open and operating. PSP has not offered franchises in any other line of business.

WNW Franchising, LLC, a Delaware limited liability company ("WNW") offers franchises for small format specialty retail businesses that provide self-service pet bathing, professional pet grooming, and retail sale of select pet supplies, pet accessories, pet bakery items, and pet food under the trade name "Wag N' Wash". As of December 31, 2021, there were no company-owned stores and 11 franchised Wag N' Wash stores in operation. WNW's principal business address is 17197 N. Laurel Park Drive, Suite 402, Livonia, Michigan 48152. WNW has not offered franchises in any line of business other than as listed above.

Sylvan Learning, LLC, a Delaware limited liability company ("Sylvan") offers franchises for the operation of a SYLVAN-branded learning center with a system designed for specialized assessment and teaching of individualized educational programs for children in the principal areas of reading, mathematics, writing and test preparation under the Sylvan Learning name and other trademarks ("Sylvan Centers"). Sylvan does not operate any Sylvan Centers, however, Educate Corporate Center Holdings, LLC ("ECCH"), another wholly owned indirect subsidiary of Sylvan's parent company, Educate, Inc., has owned and operated corporate-owned Sylvan Centers since its inception in May 2007. Sylvan's principal place of business is 4 North Park

Drive, Hunt Valley, Maryland 21030. As of December 31, 2021, there were 566 franchised Sylvan Centers in operation. Sylvan has not offered franchises in any other line of business.

The Franchise Offered

We grant franchises to develop and operate a retail specialty business identified by the Marks (defined below) which offer and sell nutritional products and services, which include, vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products and services, in stores. We call these stores "The Vitamin Shoppe Stores." In this disclosure document, we refer to your The Vitamin Shoppe Store as the "Store." The Stores operate under trademarks, service marks, and other commercial symbols we periodically designate, including "The Vitamin Shoppe®" (the "Marks"), and the mandatory and suggested specifications, standards, operating procedures, and rules we periodically specify for Stores ("Brand Standards"). Your Store must offer the services and products we specify.

We also may grant multi-unit development rights to qualified franchisees, which then may develop a specific number of Stores within a defined territory according to a pre-determined development schedule. Those franchisees may open and operate their Stores directly or through certain "Controlled Affiliates." We use a form of Development Agreement which is attached as Exhibit C.

Franchisees signing our Development Agreement must sign our then-current form of Franchise Agreement for each additional Store they develop under the Development Agreement. That form may differ substantially and materially time to time from the first Franchise Agreement they sign for their first Store to be developed (our current version of Franchise Agreement is disclosed in this disclosure document).

We have offered franchises and development rights for Stores since March 2021. We have no other business activities and have not offered franchises in other lines of business. We have never operated a Store (although one of our affiliates has owned and operated Stores since 1977).

Your Store will offer services and products to the general public throughout the year. The market for Stores is developing. You will face competition from other stores, selling nutritional products. Other Stores located outside your area of protection, but which market and advertise in your market, also might compete with your Store. In connection with the operation of a Store, you must comply with the requirements of the Federal Food Drug and Cosmetics Act, as amended by the Dietary Supplements Health and Education Act of 1994, as well as all laws applying generally to all businesses. You should investigate these laws and regulations when evaluating your franchise acquisition.

Item 2
BUSINESS EXPERIENCE

Chief Executive Officer: Sharon M. Leite

Ms. Leite has been our Chief Executive Officer since November 2020. She also has been the Chief Executive Officer of VS Industries in Secaucus, New Jersey since August 2018. From

October 2017 to August 2018, she was President North America for Godiva Chocolatier in New York, New York. From February 2016 to May 2017, she was President of Sally Beauty in Denton, Texas. From August 2007 to January 2016, she was Executive Vice President Sales, Customer Experience and Real Estate for Pier 1 Imports in Fort Worth, Texas.

Executive Vice President, Chief Operating Officer: Andrew Laudato

Mr. Laudato has been our Executive Vice President, Chief Operating Officer since November 2020. He also has been Executive Vice President of VS Industries in Secaucus, New Jersey since January 2020. He was Senior Vice President and Chief Technology Officer in Secaucus, New Jersey from January 2019 to January 2020. He was Senior Vice President and Chief Information officer from Brookdale Senior Living in Nashville, Tennessee from October 2016 to December 2018. He was Senior Vice President and Chief Information Officer for Pier 1 Imports in Fort Worth, Texas from August 2000 to October 2016.

Executive Vice President, Chief Merchandising and Marketing Officer: Muriel F. Gonzalez

Ms. Gonzalez has been our Executive Vice President, Chief Merchandising and Marketing Officer since November 2020. She also has been Executive Vice President, Chief Merchandising and Marketing Officer of VS Industries in Secaucus, New Jersey since August 2020. She was an independent consultant in New York, New York from January 2018 to August 2020. She was Executive Vice President Beauty, Macy's and BlueMercury in New York, New York from February 2017 to January 2018. She was Executive Vice President GMM, Cosmetics, Fragrances and Shoes for Macy's in New York, New York from February 2009 to February 2017.

Executive Vice President Retail Sales, Operations and Services: Neal Panza

Mr. Panza has been our Executive Vice President Retail Sales, Operations and Services since November 2020. He also has been Executive Vice President Retail Sales, Operations and Services for VS Industries in Secaucus, New Jersey since January 2020. He was Senior Vice President, Retail Operations for VS Industries from February 2019 to January 2020. From May 2018 to February 2019, he was a District Sales Manager for Williams Sonoma in San Francisco, California. He was self-employed between January and May 2018. From February 2016 to January 2018, he was Vice President Store for Brookstone in Merrimack, New Hampshire.

Executive Vice President, Chief Financial Officer: Laura Coffey

Ms. Coffey has been our Executive Vice President, Chief Financial Officer since November 2020. She also has been Chief Financial Officer for VS Industries in Secaucus, New Jersey since June 2020. She held numerous positions with Pier 1 Imports in Fort Worth, Texas from May 1997 to April 2020, including was Executive Vice President E-Commerce and Business Development, Executive Vice President of Planning and Allocations, Executive Vice President Interim CFO and Senior Vice President of Merchandise Planning.

Senior Director of Franchise and International Development: David Denker

Mr. Denker has been our Senior Director of Franchise and International Development since November 2021. Mr. Denker served as our Senior Director New Business Development and International from November 2020 to November 2021. He also has been Senior Director New Business Development and International for VS Industries in Secaucus, New Jersey since December 2019. Prior thereto, he held the following positions with VS Industries in Secaucus, New Jersey: Director New Business Development and International (June 2016 to December 2019); Manager, International Development (February 2013 to June 2016).

General Manager of New Business Development and Strategic Planning: Ted Vasquez

Mr. Vasquez has been our General Manager of New Business Development and Strategic Planning since November 2020. He also has been General Manager of New Business Development and Strategic Planning for VS Industries since June 2019. From February 2017 to May 2019, he was Vice President Financial Planning and Strategic Development in Secaucus, New Jersey. He was self-employed from November 2016 to February 2017. From July 2012 to November 2016, he was Vice President Strategic Planning and Analysis for J Crew in New York, New York.

Vice President, General Counsel and Corporate Secretary: Carlos Lopez

Mr. Lopez has been our General Counsel since November 2020. He also has been the General Counsel of VS Industries in Secaucus, New Jersey since June 2020. From June 2014 to June 2020, he held the following positions with VS Industries: Deputy General Counsel for VS Industries (January 2020 to June 2020), Associate General Counsel (February 2016 to January 2020) and Assistant General Counsel (June 2014 to February 2016).

Director of Franchise Stores: Mike Bruner

Mr. Bruner has been our Director of Franchise Stores since October 2021. From May 2019 to October 2021, he was our Senior District Sales Manager for VS Industries in Seacaucus, New Jersey. From February 2008 to May 2019, he was Regional Manager for Pier 1 Imports, Inc. in Fort Worth, Texas.

Manager, Franchise Development: Melissa Altmix

Ms. Altmix has been our Manager, Franchise Development since January 2022. From July 2021 to January 2022, she was Manager, Franchise Development for ServiceMaster Brands in Atlanta, Georgia. From September 2017 to July 2021, she held the following positions with Primrose School Franchising SPE, LLC in Atlanta, Georgia: Manager, Regional Franchise Sales (October 2019 to July 2021) and Franchise Development Specialist (September 2017 to October 2019).

Item 3
LITIGATION

The following resolved action involved one of our affiliates becoming subject to a currently effective injunctive or restrictive order or decree. This action has no impact on us or our brand nor alleges any unlawful conduct by us.

In the Matter of Buddy's Newco, LLC, FTC Matter No: 191 0074. On May 11, 2020, the Federal Trade Commission (the "FTC") issued its Final Decision and Order in connection with its civil investigation of Buddy's Newco, LLC, a parent of Buddy's, and two other rent-to-own operators. Buddy's Newco, LLC agreed to settle, without an admission that the antitrust laws were violated, FTC allegations that the three rent-to-own operators negotiated and executed reciprocal purchase agreements. Under the terms of the Order (to which Buddy's is also subject), the three rent-to-own operators are prohibited from entering into any reciprocal purchase agreement or inviting others to do so and from enforcing any non-compete clauses still in effect from the past reciprocal purchase agreements. The operators were also required to implement antitrust compliance programs and notify the FTC in the event of certain changes in corporate governance. In addition, the companies are prohibited from having any of their representatives serve as a board member or officer of a competitor and from allowing any competitor's representative to serve on their boards.

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

Item 4
BANKRUPTCY

Laura Coffey, our Executive Vice President, Chief Financial Officer, was Executive Vice President E-Commerce and Business Development for Pier 1 Imports, Inc. until April 2020. On February 17, 2020, Pier 1 Imports, Inc., whose principal business address is 100 Pier 1 Place, Fort Worth, Texas 76102, filed a petition under Chapter 11 of the U.S. Bankruptcy Code (In re Pier I Imports, Inc., No. 20-30805, Eastern District of Virginia).

Except as noted above, no bankruptcy is required to be disclosed in this Item.

Item 5
INITIAL FEES

Franchise Agreement

You must pay us a Thirty-Nine Thousand Nine Hundred Dollar ($39,900) initial franchise fee in a lump sum at the same time you sign the Franchise Agreement. It is not refundable under any circumstances. The Franchise Agreement will not be effective, and you will have no franchise rights, until we receive the initial franchise fee. If you enter into a Development Agreement, the initial franchise fee for the second and each subsequent Franchise Agreement that you sign will be Twenty-Five Thousand Dollars ($25,000).

You also must pay us the sum of Ten Thousand Dollars ($10,000) for a market introduction program for the Store. This amount is paid to us for advertising support for the

grand opening of the Store which could include flyers, direct mail, digital marketing, and other forms of media. We will spend that money on your behalf in the Store's market in compliance with the planned market introduction program. If for any reason we do not spend the full Ten Thousand Dollars ($10,000) you paid us, we will refund the unused portion to you within one-hundred-twenty (120) days after the Store opens.

Before opening for business, you must purchase your initial inventory of Approved Products and Services from us. We estimate that the cost of the initial inventory will range from One Hundred Sixty-Four Thousand Dollars ($164,000) to Two Hundred and Thirteen Thousand Dollars ($213,000) per Store. Opening inventory purchases are not refundable under any circumstances.

You must also purchase the furniture, trade fixtures and other equipment necessary for the operation of the Store (including fixtures to display merchandise, materials to build display fixtures, check-out counters and IT/POS/LP equipment) from us or a third party designated by us. We estimate that the cost of the furniture, fixtures and equipment will range from One Hundred and Seventy-Three Thousand Dollars ($173,000) to One Hundred and Eighty-Three Thousand Dollars ($183,000) and is not refundable under any circumstances.

Development Agreement

You must pay to us a non-refundable lump sum development fee (the "**Development Fee**") upon signing the Development Agreement in an amount equal to: 100% of the initial franchise fee for the first Store to be developed under the Development Agreement, which is Thirty-Nine Thousand Nine Hundred Dollars ($39,900), plus Twenty-Five Thousand Dollars ($25,000), which is 100% of the initial franchise fee for the second, plus Twenty-Five Thousand Dollars ($25,000) for each subsequent Store you agree to develop under the Development Agreement. No initial franchise fee must be paid when you sign the Franchise Agreement for each additional location. You must agree to develop a minimum of two Stores under the Development Agreement. This fee is fully earned by us when paid and is not refundable.

Item 6
OTHER FEES

Column 1 Type of Fee[1]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Royalty	5% of Store's Net Revenue[3]	Monthly based on Net Revenue for the preceding fiscal month	See Note 4

Column 1 Type of Fee[1]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Technology Fee	$850 per month, but could increase if our costs increase	Monthly for the preceding fiscal month	This fee covers costs of all store systems, store networking, telecommunications, and other IT expenses. See Notes 2 and 4
Brand Fund Contribution	If established, the greater of $1,000 or 2% of Net Revenue, up to a maximum of 3% of Net Revenue but not to exceed $40,000 per fiscal year	Monthly based on Net Revenue for the preceding fiscal month	Used by us to develop and prepare advertising and media materials.
Marketing Cooperative Contribution[3]	Not currently established or collected, but if established, the total amount you must pay for your contribution to the Brand Fund, your local marketing expenditures and/or Marketing Cooperatives will not exceed 3% of the Net Revenue of the Store	Determined when established	
Extension Option Fee	$1500 per month for months 1 to 6 after required opening date, $2,500 per month for months 7 to 12 after required opening date	Upon our grant of extension	If we allow you, in our sole discretion, to extend the opening date for a Store – not to exceed 12 months.
Successor Franchise Fee	50% of the then-current initial franchise fee	When you sign successor franchise agreement (if you have that right)	
Transfer of Franchise Rights or Controlling Ownership Interest in Franchisee	$2,000 for each Store	Upon transfer	

Column 1 Type of Fee[1]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Ongoing and Supplemental Training and Assistance	Our then-current fee for ongoing and supplemental training (not to exceed $500 per trainer per day, plus our expenses)	As incurred	We may charge you for ongoing and supplemental training.
Retraining of Managers	Our then-current retraining fee (not to exceed $500 per trainer per day, plus our expenses)	As incurred	Due if (i) your general manager or assistant manager fails to complete initial training program, or (ii) we must train their replacements.
Meetings / Conferences/Con-ventions	Will vary under circumstances (not to exceed $1,000 per person; does not include your actual out-of-pocket attendance costs)	As incurred	You (or your designated representative we approve) must at our request attend no more than four events per year. We may charge this fee even if you do not attend.
Product and Service Purchases	Varies depending on products and services you buy from us or our affiliates	As incurred	You must buy certain products and services from us or our affiliates, from designated or approved distributors and suppliers, or according to our standards and specifications.
Testing and Evaluation Costs	Projected testing/evaluation costs (amount depends on circumstances, including supplier's location, testing required, and item involved)	As incurred	Covers costs of testing new products/services or inspecting new suppliers you propose.
Relocation	Not to exceed $4,000 plus reasonable costs we incur	As incurred	Due only if you relocate Store.
Audit	Cost of inspection or audit, including legal fees and independent accountants' fees, plus travel expenses, room and board, and compensation of our employees	As incurred	Due if you fail to report or understate Net Revenue by 2% or more. Amount depends on nature and extent of your non-compliance.

Column 1 Type of Fee[1]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Inspection Fee	Actual costs of first follow-up audit (including our personnel's wages and travel, hotel, and living expenses) $500 per day for the second and each follow-up evaluation we make and for each inspection you specifically request	As incurred	Compensates our costs and expenses for each follow-up inspection to confirm your compliance with Franchise Agreement and Brand Standards.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	When invoiced	Due on past due amounts.
Administrative Fee	$250	When invoiced	For each payment not made to us or our affiliate when due (or for each dishonored payment)
Non-Compliance Fee	$250 for each deviation from operational requirements/Brand Standards	When billed	Due if you deviate from contractual requirement, including Brand Standard. This compensates us for administrative and management costs, not for our damages due to your default.
Costs and Attorneys' Fees	Varies under circumstances and depends on nature of your non-compliance	As incurred	Due when you do not comply with Franchise Agreement.
Indemnification	Varies under circumstances and depends on nature of third-party claim	As incurred	You must reimburse us for all claims and losses arising out of (i) Store's construction, design, or operation, (ii) the business you conduct under Franchise Agreement, (iii) your non-compliance or alleged non-compliance with any law, (iv) a data security incident, or (v) your breach of Franchise Agreement.

Column 1 Type of Fee[1]	Column 2 Amount[2]	Column 3 Due Date	Column 4 Remarks
Management Fee	Up to 10% of Net Revenue, plus any out-of-pocket expenses incurred in connection with Store's management	As incurred	Due if we assume Store's management in certain situations, including your default.
Remedial Expense	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs of correcting any deficiencies at the Store or in its operation (short of our taking over management) if you fail to do so.
Tax Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us for taxes we must pay any state taxing authority on account of either your operation or your payments to us (except for our income taxes).
Insurance Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs if we obtain insurance coverage for Store because you fail to do so.
De-Identification Fee	Cost reimbursement	As incurred	You must reimburse our costs of de-identifying your Store if you fail to do so.

Notes:

1. Except as noted above, all fees are imposed and collected by and payable to us or an affiliate. Except as noted above, no fee is refundable. The fees described above are our current offering and generally are uniformly imposed.

2. We reserve the right to increase the amount of any fixed fee, fixed payment, or fixed amount (i.e., not stated as a percentage) under the Franchise Agreement based on any increase in costs related to providing such services. We also reserve the right—if any fixed fee, payment, or amount due from you under the Franchise Agreement encompasses any third-party charges we collect from you on a pass-through basis (*i.e.*, for ultimate payment to the third party)—to increase the fixed fee, payment, to reflect increases in the third party's charges to us.

3. The Marketing Cooperative contribution is paid to us for deposit in a Brand Fund. The Marketing Cooperative contribution is payable for each Store you own. If a Marketing Cooperative is established, each Store within a designated local advertising area (including any company-owned Stores) will be a member of the applicable Marketing Cooperative and each Store will have one vote on all matters requiring a vote.

4. "Net Revenue" means all revenue received or otherwise derived from operating your Business, whether from cash, check, credit or debit card, gift card or gift certificate, loyalty, or other credit transactions, Apple Pay, PayPal, Venmo or any other

form of payment, and regardless of collection or when you actually provide the products or services in exchange for the revenue. Net Revenue does include any bona fide returns and credits that are actually provided to customers. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Store, that will be added to Total Revenue at an amount equal to the imputed net revenue that the insurer used to calculate those proceeds. Net Revenue does not include (a) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority; or (b) any sales credited from us for online sales commissions from direct to consumer orders, web auto delivery program orders, or store replenishment auto delivery program orders.

5. You must pay the Royalty on or before the 15th day of each calendar month ("Payment Day"). You must authorize us to debit your business checking or other account automatically for the Royalty, Technology Fee, Brand Fund contribution, and other amounts due under the Franchise Agreement or otherwise. If we institute an automatic debit program for the Store, we will debit your account on or after the payment due date for the Royalty, Technology Fee, Brand Fund contributions, and other amounts due. Funds must be available in the account for withdrawal. We may require you to have a specific amount of overdraft protection for your bank account. You must reimburse any "insufficient funds" charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Store's Net Revenue when required, we may debit your account for 125% of the Royalty, Technology Fee, and Brand Fund contribution we debited for the previous payment period. If the amount we debit is less than the amount you actually owe us (once we determine the Store's actual Net Revenue), we will debit your account for the balance due on the day we specify. If the amount we debit is greater than the amount you actually owe us (once we determine the Store's actual Net Revenue), we will credit the excess, without interest, against the amount we may debit for the following payment period.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee[(1)]	$39,900	Lump sum	When you sign Franchise Agreement	Us
Leasehold Improvements[(2)]	$0 to $171,000	As incurred	Varies, depending on vendor terms	3rd party vendors or landlord

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Furniture, Fixtures and Equipment[3]	$173,000 to $183,000	As incurred	As incurred	Us, our affiliates or 3rd party
Interior and Exterior Signage[4]	$40,000 to $57,000	As incurred	As incurred	3rd party vendors
Rent (3 Months)[5]	$13,000 to $91,000	As incurred	As incurred	Landlord
Security Deposit[6]	$0 to $26,000	Lump sum	Before opening	Landlord
Opening Inventory and Supplies[7]	$164,000 to $213,000	Lump sum	As incurred	Us, our affiliates or approved suppliers
Grand Opening Advertising[8]	$10,000	Lump sum	Before opening	Us
Training Expenses[9]	$2,000 to $5,000	As incurred	As incurred	Us, our affiliates or 3rd party vendors
Miscellaneous Opening Costs[10]	$0 to $10,000	As incurred	As incurred	Us, our affiliates or 3rd party vendors
Additional Funds – 3 Months[11]	$51,000 to $139,000	As incurred	As incurred	3rd party vendors, employees, landlord
TOTAL ESTIMATED INITIAL INVESTMENT[12]	$492,900 to $944,900			

Notes:

* Except where otherwise noted, we do not offer direct or indirect financing to franchisees for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable. Third party suppliers will decide if payments to them are refundable.

(1) Initial Franchise Fee. The Initial Franchise Fee is $39,900. If you sign a Development Agreement, the Initial Franchise Fee for the second and each subsequent Store that you open under the Development Agreement will be $25,000.

(2) Improvements. The costs of construction and leasehold improvements depend upon the size and condition of the premises, whether the landlord will pay for some or all of the build-out, the nature and extent of leasehold improvements required, the local cost of contract work and the location of the Store.

(3) Furniture, Fixtures and Equipment. We will provide you with a list of the furniture, trade fixtures and other equipment necessary for the operation of the Store. This category includes fixtures to display merchandise, materials to build display fixtures, check-out counters and IT/POS/LP equipment. The initial investment required will depend on financing terms available and other factors.

(4) Interior and Exterior Signage. This category includes The Vitamin Shoppe signage for the interior and exterior of the building (1 to 4 signs, depending on building size) and any pylon signs as allowed by landlord, as well as interior signage required in the Operations Manual.

(5) Lease. You typically will rent the premises for the Store. We are unable to estimate with any precision the costs of leasing or purchasing real estate because of the wide variation from region to region and between urban and rural areas. A new lease will vary in rental amounts, lease terms, amount of space, tenant improvements, security deposit and advance rental required, and the cost of purchasing real estate is extremely site dependent. Location is a major factor in the amount of rent needed, as are the age and quality of the building, the proximity to residential areas and other commercial areas of interest, local demographics, real estate related taxes in the jurisdiction, brokerage commissions, the length of the lease, and other factors. Your location will typically be 3,000 to 3,500 square feet. The Stores are usually located in strip-type centers or free-standing buildings.

(6) Security Deposits. Landlords may require a security deposit. The amount of a security deposit varies, but it could be equal to one to three month's rent.

(7) Initial Inventory. Your initial inventory must be purchased from us or any approved suppliers. Initial inventory consists of various Approved Products and Services used in the operation of the Store as well as other merchandise or products offered for sale by the Store, as well as supplies. The initial inventory expenditure will vary according to square footage of your location and current market prices for supplies. The Approved Products and Services must be purchased from us or our affiliates and the supplies must be purchased from approved suppliers.

(8) Grand Opening Advertising. This amount is paid to us for advertising support for the grand opening of the Store which could include flyers, direct mail, digital marketing, billboards and other forms of media.

(9) Training. You must make arrangements and pay the expenses for at least two people, including your Store Manager and Assistant Store Manager and any additional people we

may require, to attend our initial training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose.

(10) Miscellaneous Opening Costs. This category includes security deposits for utilities, permits and cash fund for the register, among other things.

(11) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses, including payroll, payroll taxes, employee benefits, utility costs, insurance, supplies, credit card interchange fees, local marketing, for a period of three months. This amount is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document. Your costs will depend on factors such as how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period.

(12) Total. This total is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our affiliates' over 40 years of experience. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

(DEVELOPMENT OF MULTIPLE STORES UNDER DEVELOPMENT AGREEMENT)

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee (Note 1)	$64,900 (for a minimum of two Stores)	Lump Sum	Upon Signing of Development Agreement	Us
TOTAL (for development rights for 2 Stores and current costs associated with development of first Store) (Note 2)	$517,900 to $969,900 See Table above for current range of development costs for each Store			

Notes:

* Except as noted in Item 10, we do not offer direct or indirect financing to developers for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable.

(1) Development Fee. Upon signing the Development Agreement, you must pay us the Development Fee. The Development Fee varies, and it will be an amount based on the number

of Stores you commit to developing. The Development Fee is calculated to be 100% of the initial franchise fee ($39,900) for the first Store to be developed under the Development Agreement and 100% of the initial franchise fee for each additional Store to be developed under the Development Agreement. The initial franchise fee for the second and each subsequent Store is Twenty-Five Thousand Dollars ($25,000).

(2) Total Initial Investment. For each Store that you develop pursuant to a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Store as detailed in the first table in this Item 7. No initial franchise fee is owed upon execution of the Franchise Agreement since the initial fee was paid in full upon execution of the Development Agreement.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Store according to our Brand Standards. Brand Standards may regulate, among other things, types, models, and brands of required furniture, fixtures, signs, and equipment (including components of and required software licenses for the Computer System) for the Store (collectively, "Operating Assets"); required, authorized, and unauthorized services and products for the Store; and designated and approved suppliers of items and services. You must buy or lease all Operating Assets and other products and services for the Store only according to our Brand Standards and, if we require, only from suppliers we designate or approve (which may include or be limited to us, our affiliates, and/or other restricted sources) at the prices the suppliers choose to charge. You must obtain from us or our affiliate the computer hardware and software, point-of-sale system, and other computer-related accessories and peripheral equipment we periodically specify, which consists of a minimum of a two registers, two pin pads, one mini PC, two tablets, one Admin PC, scanners; one for each register and Mobile POS device, and at least one for zero scans (shelf talker), one laser printer, one tag printer, and network equipment and cabling (the "Computer System") and to use the Computer System in the operation of the Store.

In order to help you manage inventory shrinkage and overages in your Store, we also require you to conduct a physical inventory of the merchandise in your Store at least once a year using an outside inventory service designated by us and copies of the reports provided by the outside inventory service must be provided to us. All merchandise must be accounted for and counted during the physical inventory. The costs associated with this annual physical inventory count typically range between $600-$700. Designated service providers may be found in the Operations Manual and may be updated by us from time to time.

No officer of ours owns any interest in any unaffiliated supplier to the franchise system. We restrict your sources of items and services in many cases to protect trade secrets and other intellectual property, help assure quality and a reliable supply of products meeting our standards, achieve better purchase and delivery terms, control third-party use of the Marks, and monitor the manufacture, packaging, processing, sale, and delivery of these items.

At least thirty (30) days before using them, you must send us all Marketing Materials we have not prepared or already approved and all approved Marketing Materials that you propose to

change in any way. If we do not approve those materials within thirty (30) days after receiving them, they will be deemed disapproved for use. You may not use any Marketing Materials we have not approved or have disapproved.

The Store will be developed at your expense. We will give you construction guidelines and mandatory specifications and layouts for a Store ("Plans"), including requirements or recommendations (as applicable) for dimensions, design, interior layout, improvements, color scheme, décor, finishes, signage, Operating Assets and planograms for product placement. All other decisions regarding the Store's development are subject to our review and prior written approval. You must ensure that the Store's construction and remodeling plans comply with the Americans with Disabilities Act ("ADA"), zoning regulations, environmental laws and regulations, other applicable ordinances, building codes and permit requirements, and lease requirements and restrictions. You must hire (and contract directly with) an architect and a general contractor we approve to prepare the Store-specific blueprints and plans based on the Plans ("Adapted Plans") and then to construct the Store. You may not hire an architect or general contractor that we have not approved or designated.

We must pre-approve the Adapted Plans before the Store's build-out begins and all revised or "as built" plans and specifications prepared during construction and development. Our review is limited to reviewing your compliance with our Plans. Our review is not intended or designed to assess your compliance with applicable laws or lease requirements, which is your responsibility.

You must at your expense construct, install all trade dress (that is, brand-identifying features and visual image of the Store) and Operating Assets in, and otherwise develop the Store according to our standards, specifications, and directions. The Store must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Store (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and materials we approve.

We periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Store and/or incur higher operating costs. You must implement any changes in mandatory Brand Standards within the time period we request. However, except for:

(i) changes in the computer system;

(ii) changes in signage and logo (i.e., Store exterior and interior graphics);

(iii) certain changes in connection with a transfer;

(iv) changes required by the Store's lease or applicable law; and

(v) general Store upkeep, repair, and maintenance obligations,

for all of which the timing and amounts are not limited during the franchise term, we will not require you to make any capital modifications during the last 2 years of the franchise term, unless the proposed capital modifications during those last 2 years (the amounts for which are

not limited) are in connection with Store upgrades, remodeling, refurbishing, and similar activities for your acquisition of a successor franchise.

This means that, besides the rights we reserve above in clauses (i) through (v), we may require you substantially to alter the Store's appearance, layout, and/or design, and/or replace a material portion of the Operating Assets, in order to meet our then-current requirements and then-current Brand Standards for new Stores. This could obligate you to make extensive structural changes to, and significantly remodel and renovate, the Store and/or to spend substantial amounts for new Operating Assets. You must spend any sums required in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining franchise term). Within 60 days after receiving written notice from us, you must prepare plans according to the standards and specifications we prescribe, using architects and contractors we approve, and then submit those plans to us for written approval.

We also periodically may require you to participate in certain test programs for new services, products, and/or Operating Assets. We have not yet started any test programs but will advise you in advance of any required procedures.

You must maintain insurance coverage for the Store at your own expense in the amounts, and covering the risks, we periodically specify. Your insurance carriers must be licensed to do business in the Store's state and be rated A- or higher by A.M. Best and Company, Inc. (or satisfy our other criteria). We periodically may increase the required coverage amounts and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or relevant changes in circumstances. Insurance policies must name us and our designated affiliates as additional insureds and give us thirty (30) days' prior written notice of material modification, cancellation, non-renewal, or non-payment. You must send us a valid insurance certificate or duplicate insurance policy showing required coverage and payment of premiums.

You currently must have the following minimum insurance coverage: (a) workers' compensation with employers liability limits meeting statutory requirements in your state of operation (minimum of Five Hundred Thousand Dollars ($500,000)); (b) Employment Practices Liability (EPLI) with a limit of at least One Million Dollars ($1,000,000) for each bodily injury by accident or disease; (c) General Liability with limits of at least One Million Dollars ($1,000,000) each occurrence, One Million Dollars ($1,000,000) personal and advertising injury, Two Million Dollars ($2,000,000) products and completed operation aggregate, and a Two Million Dollars ($2,000,000) general aggregate; (d) Automobile with at least One Million Dollars ($1,000,000) per occurrence for bodily injury and property damage, combined single limit for hired/non-owned auto; (e) Umbrella covering the general liability, auto, and employers liability with limits of at least Five Million Dollars ($5,000,000) per occurrence/aggregate; (f) full replacement value property coverage covering all risk real and personal property and stock and inventory; and (g) Cyber Liability insurance with a limit of One Million Dollars ($1,000,000) per occurrence.

You must participate in, and comply with the requirements of, our gift card and other customer loyalty programs.

Except as described above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Store that you currently must buy or lease from us (or our affiliates) or designated or approved suppliers. Except for the Computer System described above, neither we nor our affiliates are the only approved suppliers of any products and services that you must buy or lease. In the future, we may designate other products and services that you must buy only from us, our affiliates, or designated or approved suppliers. To maintain the quality of Store services and products and our franchise network's reputation, all Operating Assets and other services and products your Store uses or sells (besides those described above that you currently may obtain only from us, our affiliates, and/or approved and designated suppliers) must meet our minimum standards and specifications, which we issue and modify based on our, our affiliates', and our franchisees' experience in operating Stores. Standards and specifications may impose minimum requirements for production, performance, safety, reputation, prices, quality, design, and appearance. Our Operations Manual, other technical manuals, and written and on-line communications will identify our standards and specifications for you. When appropriate and authorized, you may provide those standards and specifications to suppliers if they agree to maintain confidentiality.

If you want to purchase or lease any Operating Assets or other products or services from a supplier or distributor we have not then approved (if we require you to buy or lease the product or service only from an approved supplier or distributor), you must establish to our reasonable satisfaction that the product or service is of equivalent quality and functionality to the product or service it replaces and the supplier or distributor is, among other things, reputable, financially responsible, and adequately insured for product liability claims. You must pay upon request any actual expenses we incur to determine whether or not the products, services, suppliers, or distributors meet our requirements and specifications. We will decide within a reasonable time (60 days) and may condition supplier approval on product quality and safety, prices, consistency, warranty, reliability, financial capability, customer relations, frequency of delivery, the benefits of concentrating purchases with limited suppliers, standards of service (including prompt attention to complaints), and other criteria. If we do not notify you within 60 days that a proposed supplier has been approved, it will be considered disapproved.

We may inspect the proposed supplier's facilities and require the proposed supplier to send samples directly to us or to a third-party testing service. We may re-inspect a supplier's facilities and products and revoke our approval of any supplier, product, or service no longer meeting our criteria by notifying you and/or the supplier. We do not make our supplier-approval criteria available to franchisees. Despite these procedures, we may limit the number of approved suppliers, designate sources you must use, and refuse your requests for any reason, including because we already have designated an exclusive source (which might be us or our affiliate) for a particular item or service or believe that doing so is in Store network's best interest. If we approve any supplier or distributor you recommend, we may authorize other Stores to buy or lease any Operating Assets or other products or services from that supplier or distributor without compensating you.

We and/or our affiliates may derive revenue based on your purchases and leases, including from charging you (at prices exceeding our and their costs) for services and products that we or our affiliates sell you and from promotional allowances, volume discounts, and other

amounts paid to us and our affiliates by suppliers we designate, approve, or recommend for some or all Store franchisees. We and our affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes we and our affiliates deem appropriate.

Collectively, your purchases and leases from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent about 100% of your overall purchases and leases to establish and then to operate the Store. Because no franchises were operational during 2021, we and our affiliates did not derive any revenue during 2021 from franchisees' direct purchases or leases or receive any payments from designated and approved suppliers on account of their sales to our franchisees.

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements with suppliers (including price terms) for promotional items, office supplies, and products and services. In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor (and not for the benefit of a particular franchisee). We and our affiliates might not obtain the best pricing or most advantageous terms on behalf of Stores. We and our affiliates also cannot control the performance of suppliers and distributors to Stores. We are not responsible or liable if a supplier's or distributor's products or services fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

We do not provide material benefits to a franchisee (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

The Development Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, real estate or comparable items. These obligations are set forth in the Franchise Agreement you sign for each Store you develop under the Development Agreement. However, you must give us information and materials we request regarding each site at which you propose to operate a Store so we can assess and accept that site.

Item 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	5.A and B of Franchise Agreement and 4 of Development Agreement	5, 7, 8, 11, and 12
b. Pre-opening purchases/leases	5.C and 8.D and E of Franchise Agreement	5, 7, 8, and 11

Obligation	Section in agreement	Disclosure document item
c. Site development and other pre-opening requirements	5.C and D of Franchise Agreement	5, 7, 8, and 11
d. Initial and ongoing training	7 of Franchise Agreement	6, 7, and 11
e. Opening	5.D of Franchise Agreement and 3 of Development Agreement	11 and 12
f. Fees	6, 7.A, B, C, D, 8.C, D, and E, 14, 15, 16.A and B, 17.C and D, 19.A and B, 21.C, D, and E, and 22.C of Franchise Agreement, 2 of Development Agreement	5, 6, 7, and 8
g. Compliance with standards and policies/operating manual	7.F and 8 of Franchise Agreement	8 and 11
h. Trademarks and proprietary information	9, 10, 11 and 12 of Franchise Agreement	13 and 14
i. Restrictions on products/services offered	8 of Franchise Agreement	8, 11, 12, and 16
j. Warranty and customer service requirements	8.C of Franchise Agreement	Not Applicable
k. Territorial development and sales quotas	3 of Development Agreement	11 and 12
l. On-going product/service purchases	8.C, D, and E of Franchise Agreement	6 and 8
m. Maintenance, appearance and remodeling requirements	8.A and C, 17.C, and 18 of Franchise Agreement	8, 11, and 17
n. Insurance	21.E of Franchise Agreement	7 and 8
o. Advertising	14 of Franchise Agreement	5, 6, 7, 8, and 11
p. Indemnification	21.E of Franchise Agreement, 20 of Development Agreement	6
q. Owner's participation/ management/staffing	4.H, 7, and 8.C of Franchise Agreement	11 and 15
r. Records and reports	15 of Franchise Agreement	6
s. Inspections and audits	16 of Franchise Agreement	6
t. Transfer	17 of Franchise Agreement, 9 of Development Agreement	6 and 17
u. Renewal	18 of Franchise Agreement	6 and 17
v. Post-termination obligations	19.C and 20 of Franchise Agreement	6 and 17
w. Non-competition covenants	13 and 20E of Franchise Agreement	15 and 17

Obligation	Section in agreement	Disclosure document item
x. Dispute resolution	22.C, F, G, H, I, J, and L of Franchise Agreement	17
y. Consumer Data and Data Security	11 of Franchise Agreement	14

Item 10
FINANCING

The following financing program is currently available to you, if you meet the credit requirements of the lender. The lender has final discretion to determine whether you are credit worthy and otherwise qualify for the financing.

ConnectOne Bank, ("CNOB") offers financing for your equipment, fixtures, furniture, computers, inventory and signs. At its sole discretion, CNOB may offer you financing for other items associated with your franchise. The amount of financing will vary depending on your costs, but CNOB may loan up to 65% of the costs (up to a maximum of $250,000) required to establish your location (including but not limited to fixtures, furniture, computers. inventory and signs). The interest factor in the loan will be tied to prevailing conditions, your individual credit history, personal financial condition and other underwriting criteria determined at the sole discretion of CNOB. Currently, the rate is 500 to 700 bps over the five (5) year Treasury rate. This rate shall remain fixed for a period of 5 years. At the end of the first 5 years, the rate shall reset using the then current five (5) year treasury rate. CNOB will set a floor but there will be no ceiling on the rate. The term of the loan can range from 84 to 120 months. CNOB takes a security interest in and will file a financing statement against all the equipment and assets of your franchise operating company and location. The principals of the franchisee and their spouses must personally guaranty the loan. We will guarantee up to an aggregate of $500,000 of all debt financed by CNOB through this financing program. The loan is non-cancelable, and all payments must be made on a timely basis. The loan may not be prepaid during the first 24 months and thereafter the franchisee can prepay up to 15% annually without prepayment penalty. The prepayment penalty is determined as follows: a percentage of remaining principal balance as of the date loan repayment occurs, calculated as follows: 3% during year 3, 2% during year 4, and 1% during year 5. Delinquent payments are subject to a late charge of 5% of the monthly payment. If you default under the loan agreement, you may be immediately liable for all future payments, including accrued interest, less the net proceeds from any disposition of the assets. You will also be responsible for all costs of collection, including reasonable attorney fees. Also, CNOB may repossess the secured assets. A default under a loan agreement may lead to the termination of your franchise rights, property lease and\or sublease. In the loan agreement, you waive notice of repossession after default and any defenses to your obligations to CNOB. You also waive trial by jury and agree to application of New Jersey law and to jurisdiction of the courts in Bergen County, State of New Jersey. CNOB has and may in the future sell, assign, syndicate and\or discount its loans to a third party. Copies of the current CNOB Loan Agreement and related documents, are attached as Exhibit J.

Except as noted above, we do not offer direct or indirect financing or guarantee your obligations to third parties.

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

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

Pre-Opening Assistance

Before you begin operating the Store, we will:

1. We or our designee will use reasonable efforts to review and accept or reject each site you propose within thirty (30) days after receiving all requested information and materials and visiting the proposed site. If the site is not accepted in writing within such thirty (30) days, the site will be deemed rejected. We will not unreasonably withhold our acceptance of a site if, in our and our affiliates' experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites for Stores in the past. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you prefer is accepted but not recommended due to its incompatibility with certain factors bearing on a site's suitability as a location for a Store. After we accept (and you secure) a proposed site, we will identify that site as the Store's address in Exhibit A of the Franchise Agreement. We do not own locations for lease to franchisees.

If an acceptable Store site is not found and secured within 180 days after the Franchise Agreement's effective date (or a different date specified in a Development Agreement), but subject to any extensions we may grant, then we may terminate the Franchise Agreement upon written notice to you. There is no refund of any initial franchise fee or development fee. (Franchise Agreement—Sections 5.B and 5.C; Development Agreement—Sections 3 and 6)

2. Accept or reject the Store's proposed lease or sublease. You must send us the proposed lease or sublease for our written acceptance at least thirty (30) days before you intend to sign it. The lease or sublease must either (i) include the lease rider attached as Exhibit D to the Franchise Agreement or (ii) include within its body the lease rider's terms and conditions. You may not sign any lease or sublease we have not accepted in writing. If we do not accept the lease or sublease in writing within thirty (30) days after receiving it, the lease or sublease is deemed rejected. An acceptable Store site must be found and secured within the Site Selection Area within 180 days after the Franchise Agreement's effective date, subject to any extensions we may grant. Otherwise, we may terminate the Franchise Agreement. There is no refund of any initial franchise fee or development fee. (Franchise Agreement—Sections 5.B and 5.C)

3. Give you template Plans and planograms for product placement. Our Plans might not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations, including those arising under the ADA, or any lease requirements or restrictions. You are solely responsible for complying with all laws and must inform us of any changes to the Store's specifications that you believe are necessary to ensure such compliance.

You must make sure that your Adapted Plans for the Store comply with all laws and lease requirements and restrictions. We must pre-approve in writing the Adapted Plans before the Store's build-out begins and all revised or "as built" plans prepared during the Store's construction and development. The Store must be developed in compliance with the Adapted Plans. During the Store's build-out, we will physically inspect the Store or have you send us pictures and images (including recordings) of the Store's interior and exterior so we can review your development of the Store in compliance with our Brand Standards. (Franchise Agreement—Section 5.C)

4. Provide initial orientation and training to your Store Manager and Assistant Store Manager. We describe this training later in this Item. (Franchise Agreement – Section 7.A)

5. Identify the Operating Assets, inventory, supplies, and other products and services you must use to develop and operate the Store, the minimum standards and specifications you must satisfy, and the designated and approved suppliers from which you must or may buy or lease items and services (which may include or be limited to us and/or our affiliates). (Franchise Agreement – Sections 5.D, 8.C, and 8.D) We and our affiliates currently are not involved in delivering or installing fixtures, equipment, or signs, although we will provide direction for you to comply with our Brand Standards.

6. Send an "opening team" to the Store for at least one week to help train your supervisory employees on our philosophy and Brand Standards and prepare the Store for opening. (Franchise Agreement – Section 7.C)

7. Give you access to our pre-opening manual, operations manual and other technical manuals (collectively, the "Operations Manual"). The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains Brand Standards and information on your other obligations under the Franchise Agreement. We may modify the Operations Manual periodically to reflect changes in Brand Standards, but those modifications will not alter your fundamental rights or status under the Franchise Agreement. If there is a dispute over the Operations Manual's contents, our master copy controls. The Operations Manual currently contains the equivalent of approximately 63 total pages; its current table of contents is included in Exhibit D. (Franchise Agreement – Section 7.F)

8. Designate a specific number of Stores that you (and your Controlled Affiliates) must develop and open at accepted locations within your development Territory and the development deadlines (if we grant you development rights). (Development Agreement – Sections 3, 4, and 6) We will accept your Stores' proposed locations only if they meet our then-current standards for Store sites.

Ongoing Assistance

During your Store's operation, we will:

1. Advise you or make recommendations regarding the Store's operation with respect to standards, specifications, operating procedures, and methods that Stores use;

purchasing required or recommended Operating Assets and other products, services, supplies, and materials; supervisory employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Store employees); and accounting, advertising, and marketing. We may guide you through our Operations Manual, in bulletins or other written materials, by electronic media, by telephone, and/or at our office or the Store. (Franchise Agreement – Section 8.C)

2. Give you, at your request and expense (and our option), additional or special guidance, assistance, and training. We have no obligation to continue providing any specific ongoing training, conventions, advice, or assistance. (Franchise Agreement – Section 7.D)

3. Continue to give you access to our Operations Manual. (Franchise Agreement – Section 7.F)

4. Issue and modify Brand Standards. Changes in Brand Standards may require you to invest additional capital in the Store and incur higher operating costs. You must comply with those obligations within the timeframe we specify. Our Franchise Agreement describes certain time limitations on when we may require you to implement capital modifications and certain related cost caps. Brand Standards may regulate (to the extent the law allows) maximum, minimum, or other pricing requirements for services and products the Store sells, including requirements for promotions, special offers, and discounts in which some or all Stores must participate and price advertising policies. (Franchise Agreement – Sections 8.A and 8.C)

5. Let you use our Marks. (Franchise Agreement – Section 9)

6. Let you use our confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information") (Franchise Agreement – Section 10). Maintain a Brand Fund for advertising, marketing, research and development, public relations, social-media management, and customer-relationship management programs and materials we deem appropriate to enhance, promote, and protect the Store brand and franchise system. We describe the Brand Fund and other advertising activities below. (Franchise Agreement – Section 14.B)

7. Periodically inspect and monitor the Store's operation. (Franchise Agreement – Section 16.A)

8. Periodically offer refresher training courses. (Franchise Agreement – Section 7.D)

9. Review advertising and promotional materials you want to use. (Franchise Agreement – Sections 14.C and D)

Advertising and Marketing Programs

Brand Fund

We have established the Brand Fund to which you must contribute the amounts we periodically specify. You agree to contribute to the Brand Fund the amounts we periodically

specify, which shall be the greater of $1,000 per month or 2% of Net Revenue. We may increase the amount of the Brand Fund contribution up to a maximum of 3% of Net Revenue, provided that such contribution shall not exceed $40,000 in any fiscal year. Your Brand Fund contribution shall be due and payable at the same time and in the same manner as the Royalty or in such other manner we periodically specify. Our company-owned Stores are not required to make contributions to the Brand Fund. However, company-owned Stores do expend amounts on advertising each year which are directed toward the company-owned Stores and digital channels.

We will direct all programs the Brand Fund finances, with sole control over all creative and business aspects of the Fund's activities. The Brand Fund may pay for preparing, producing, and placing video, audio, and written materials, digital marketing, and Social Media; developing, maintaining, and administering one or more System Websites; administering national, regional, and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; implementing and supporting franchisees' local market introduction programs; establishing regional and national promotions and partnerships and hiring spokespersons to promote Store brand; and supporting public relations, market research, and other advertising, promotion, marketing, and brand-related activities. The Brand Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the Internet, as we think best. We and/or an outside regional or national advertising agency will produce all advertising and marketing. The Brand Fund periodically may give you sample Marketing Materials at no cost. We may sell you multiple copies of Marketing Materials at our direct production costs, plus any related shipping, handling, and storage charges.

We will account for the Brand Fund separately from our other funds (although we need not keep Brand Fund contributions in a separate bank account) and will not use the Brand Fund for any of our general operating expenses or store marketing kits. However, the Brand Fund may reimburse us and our affiliates for the reasonable salaries and benefits of personnel who manage and administer, or otherwise provide assistance or services to, the Brand Fund; the Brand Fund's administrative costs; travel-related expenses of personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and other expenses we and our affiliates incur administering or directing the Brand Fund and its programs, including conducting market research, preparing Marketing Materials, collecting and accounting for Brand Fund contributions, paying taxes due on Brand Fund contributions we receive; and any other costs or expenses we incur operating or as a consequence of the Fund. We will not use the Brand Fund specifically to develop materials and programs to solicit franchisees. However, media, materials, and programs prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. Because the Brand Fund has not yet received any contributions, it has no operating history.

The Brand Fund is not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions during that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We will prepare an annual, unaudited statement of

Brand Fund collections and expenses and post the statement on the Intranet within sixty (60) days after our fiscal year end or otherwise give you a copy of the statement upon reasonable request. We may (but need not) have the Brand Fund audited annually, at the Brand Fund's expense, by a certified public accountant we designate. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified here.

The Brand Fund's principal purposes are to maximize recognition of the Marks, increase patronage of Stores, and enhance, promote, and protect Store brand and franchise system. Although we will try to use the Brand Fund in the aggregate to develop and implement Marketing Materials and programs benefiting all Stores, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by Stores operating in that geographic area or that any Store benefits directly or in proportion to its Brand Fund contribution from the development of Marketing Materials or the implementation of programs. (In other words, the Brand Fund need not spend any specific amount in your market area.) We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect unpaid Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may at any time defer or reduce the Brand Fund contributions of any Store franchisee and, upon thirty (30) days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will either (i) spend the remaining Fund balance on permitted programs and expenditures or (ii) distribute all unspent funds to our then-existing franchisees, and to us and our affiliates, in proportion to their and our respective Brand Fund contributions during the preceding 12 months. (Franchise Agreement – Section 14.B)

Local Marketing

You agree to use your best efforts to promote and advertise your Store and participate in any local marketing and promotional programs we establish from time to time. In addition to your Brand Fund contribution, we may, in our sole discretion, from time to time, require you to spend at least one and one-half percent (1.5%) of your Net Revenue on approved local marketing and promotion (the "Local Marketing Spending Requirement"). You must prepare, or collaborate with us to prepare, a written local marketing plan for the Local Marketing Spending Requirement according to our specified process. Upon our request, you must provide us with itemization and proof of your local marketing expenditures and an accounting of the monies that you have spent for approved local marketing. The total amount you must pay or spend for your contribution to the Brand Fund, your local marketing expenditures and/or Marketing Cooperatives will not exceed 3% of the Net Revenue of the Store. We may review your books and records, and require you to submit reports periodically, to determine your advertising, marketing, and promotion expenses. If you fail to spend (or prove that you spent) the Local Marketing Spending Requirement, we may, in addition to and without limiting our other rights and remedies, require

you to contribute the shortfall to the Brand Fund for use as provided in Section 14.B of the Franchise Agreement. (Franchise Agreement – Section 14.D)

Approval of Advertising

All Marketing Materials must be legal and not misleading and conform to our policies. To protect the goodwill accumulated in "The Vitamin Shoppe" name and other Marks, at least thirty (30) days before using them, you must send us samples or proofs of all Marketing Materials that we did not prepare or already approve or that we prepared or approved but you want to change in any way. If we do not approve those Marketing Materials in writing within thirty (30) days after we receive them, they are deemed disapproved for use. You may not use any Marketing Materials we have not approved or have disapproved. We may upon thirty (30) days' prior written notice require you to stop using any previously- approved Marketing Materials. (Franchise Agreement – Section 14.C)

Advertising Councils

There currently are no franchisee advertising councils advising us on advertising and marketing policies and programs. However, we may form, change, dissolve, or merge any franchisee advertising council.

Advertising Cooperatives

There currently are no advertising cooperatives. However, we may designate a geographic area for an advertising cooperative (a "Cooperative"). The Cooperative's members in any area are the owners of all Stores located and operating in that area (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine. There need not be any formal agreements or bylaws to administer the Cooperative. We may change, dissolve, and merge Cooperatives. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop Marketing Materials for the area the Cooperative covers. You automatically will become a member of any existing or new Cooperative formed in your market area and must participate in the Cooperative as we require. Each Store (which includes any company-owned Stores) within a designated local advertising area will be a member of the applicable Cooperative and each Store will have one vote on all matters requiring a vote. The total amount you must pay or spend for your contribution to the Brand Fund, your local marketing expenditures and/or Cooperatives will not exceed 3% of the Net Revenue of the Store. The Stores that we and our affiliates own in the Cooperative's area will contribute at the same rate. All Cooperative dues will count toward the Local Marketing Spending Requirement but not toward the market introduction program or Brand Fund contributions. The Cooperative will prepare annual, unaudited financial statements you may review. (Franchise Agreement – Section 14.E)

System Website and Electronic Advertising

We or our designees may establish a website or series of websites (with or without restricted access) for the Store network: (1) to advertise, market, identify, and promote Stores, the services and products they offer, and/or The Vitamin Shoppe franchise opportunity; (2) to help us operate The Vitamin Shoppe network; and/or (3) for any other purposes we deem

appropriate for the Stores (collectively, the "System Website"). The System Website need not give you a separate interior webpage or "micro-site" referencing your Store. We will own all intellectual property and other rights in the System Website and all information it contains. We will control, and may use the Brand Fund's assets to develop, maintain, operate, update, and market, the System Website.

All Marketing Materials you develop for the Store must comply with Brand Standards and contain notices of the System Website's URL as we specify. You may not develop, maintain, or authorize any digital marketing or social media mentioning or describing the Store or displaying any Marks without our prior written approval and, if applicable, without complying with our Brand Standards for such digital marketing and social media. Except for the System Website and approved digital marketing and social media, you may not conduct commerce or directly or indirectly offer or sell any products or services using any digital marketing, social media, or website. We have the right to maintain websites other than the System Website and to offer and sell services and products under the Marks from the System Website, another website, or otherwise over the Internet without payment or other obligation to you. (Franchise Agreement – Section 14.F)

Computer System

You must obtain from us or our affiliate the Computer System and to use the Computer System in the operation of the Store. (Franchise Agreement – Section 8.E) There are no contractual limitations on our right to access the information on the Computer System (unrelated to your labor relations and employment practices).

The Computer System currently includes a minimum of two registers, two pin pads, one mini PC, two tablets, one Admin PC, scanners with; one for each register and Mobile POS device, and at least one for zero scans (shelf talker), one laser printer, one tag printer, and network equipment and cabling. The cost of the Computer System will range between $17,000 and $20,000.

You must pay us a Technology Fee, which is currently $850 per month, but this fee could increase as our costs increase. The Technology Fee covers the costs of required software, network connectivity, infrastructure support, intranet access, IT management fees and other IT expenses. You must upgrade the Computer System, and/or obtain service and support, as we require or when necessary because of technological developments, including complying with PCI Data Security Standards. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse your costs. You may not use any unapproved computer software. The Computer System generates and stores various types of data, including revenues, transactions, Consumer Data, product information, and other types of data as specified in the Operations Manual. We have independent, unlimited access to the information the system generates (and to the content of any Store email accounts we provide you), although not to employee- or employment-related information for your Store's employees.

Opening

You must open the Store for business within six (6) months after the date you sign its lease (except as otherwise provided in a Development Agreement), subject to any extensions we may grant. (You have no right to any extensions if you signed the Franchise Agreement under a Development Agreement.) Your opening timetable depends on the Store's condition and upgrading and remodeling requirements; the construction schedule; obtaining licenses; the delivery schedule for Operating Assets and supplies; attending and completing training; and complying with local laws and regulations.

We are not obligated to extend the opening date. You must (i) make your written request for an extension no less than 90 days prior to the required opening date and (ii) have paid the entire Initial Franchise Fee. Only then will you be eligible for an extension which consists of monthly withdrawals by us from your account for the extension period (in accordance with Section 6.D. of the Franchise Agreement) per the following schedule: $1,500 per month for each of the first 6 months of any extension and $2,500 per month for months 7-12 of any extension. The monthly extension fees due under the Franchise Agreement will be drafted from the account specified in such withdrawal authorization form until your Store opens. The monthly extension fees paid will not be refunded under any circumstances and will not be credited against any fee payable to us. Notwithstanding the foregoing, if we grant you any extension and we subsequently determine, in our sole reasonable discretion, that you are not using your best efforts to open and commence operations of your Store within a reasonable period of time following the date of our grant of an extension, we may terminate the extension grant to you. The termination of any extension grant by us shall be deemed a default under Section 19.A(ii) of the Franchise Agreement.

You may not open the Store for business until: (1) we inspect and approve in writing the Store as having been developed in compliance with our specifications and standards; (2) your Store Manager and Assistant Manager complete to our satisfaction the initial orientation and training programs; (3) the Store has sufficiently trained employees to manage and operate the Store on a day-to-day basis in compliance with our Brand Standards; (4) you have satisfied all state and federal permitting, licensing, and other legal requirements and sent us copies of any materials we request; (5) you have paid all amounts owed to, and are not in default under any agreement with, us, our affiliates, and principal suppliers; and (6) you have met all other opening requirements specified in our Operations Manual. (Franchise Agreement—Sections 5.C and 5.D)

Training

Initial Orientation and Training Programs

Your Store Manager and Assistant Store Manager must complete to our satisfaction our initial training program ("Initial Training") on operating a Store at a company-owned Store that we designate (or another location we designate), and/or through video and other electronic means, prior to the Store opening. We may charge our then-current training fee for each additional person you desire to send to Initial Training. Initial Training will last for the time we specify and focuses on our philosophy, Brand Standards, and the material aspects of operating a Store, excluding aspects relating to labor relations and employment practices.

You must pay your employees' wages, benefits, and travel, hotel, and food expenses while they attend training. We will give you information about the number of hours your employees are actively involved in classroom and in-Store training, and you are responsible for evaluating any other information you believe you need to ensure your employees are accurately paid during training. You also are responsible for maintaining workers' compensation insurance over your employees during training and must send us proof of that insurance at the outset of the training program.

The following chart describes our current initial training program, which we may modify for the particular trainees:

TRAINING PROGRAM

Column 1	Column 2 Hours of Training		Column 3
Subject	Classroom	On-the-job	Location
Welcome to TVS: Foundational Knowledge & Introduction to our Private Brands	6 hours		Location with internet access (i.e. home) or company-owned store
Store Operations: Opening/Closing, Brand Standards, Customer Engagement, Inventory Management, Loss Prevention, Store Systems, Talent Acquisition, MOD Certification	3 hours	72 hours	Company-owned Store
Customer Engagement & Product Knowledge: TVS Programs/Service Offerings, Customer Engagement Model/Selling, Category Product Education	10 hours		Company-owned Store
TVS Leadership Perspective: Travel with District Sales Manager performing store visits		16 hours	Company-owned Store
TOTAL	19 hours	88 hours	

Lori Wagner, currently Vice President of People Experience, will supervise franchisee training. Ms. Wagner has been with The Vitamin Shoppe system for over eight years and has twenty years in the learning and development space generally. The rest of our training team and managers, who have worked at The Vitamin Shoppe for various lengths of time, also lead all hands-on and instructor-led training; all of them have adequate training and appropriate knowledge to facilitate training in the areas they will teach based on their involvement with our system and work at the Stores.

We will send an "opening team" to the Store for at least one (1) week (typically starting before and continuing after opening) to provide on-site support for merchandising and set-up and prepare the Store for opening and to assist during the first week of operations. We will pay our opening team's wages and travel, hotel, and living expenses. If you request, and we agree to

provide, additional or special guidance, assistance, or training during this opening phase (excluding training relating to labor relations and employment practices), you must pay our personnel's daily charges (including wages) and travel, hotel, and living expenses. We may delay the Store's opening until all required training has been satisfactorily completed.

Retraining

If your Store Manager or Assistant Store Manager fails to complete initial training to our satisfaction, or we determine after an inspection that retraining is necessary because the Store is not operating according to Brand Standards, he or she may attend a retraining session for which we may charge our then-current training fee. You must pay all employee compensation and expenses during retraining. We may terminate the Franchise Agreement if the Store does not commence operation by the opening deadline with a fully-trained staff.

Training for Store Employees

You must properly train all Store employees to perform the tasks for their respective positions. We may develop and make available training tools and recommendations for you to use in training the Store's employees to comply with Brand Standards. We may update these training materials to reflect changes in our training methods and procedures and changes in Brand Standards.

Ongoing and Supplemental Training

We may require your Store's managers to attend and complete satisfactorily various training courses and programs that we or third parties periodically offer during the franchise term at the times and locations we designate. You must pay their compensation and expenses during training. We may charge our then-current fee for continuing and advanced training. If you request training courses or programs to be provided locally, then subject to our training personnel's availability, you must pay our then-current training fee and our training personnel's travel, hotel, and living expenses.

Besides attending and/or participating in various training courses and programs, at least 1 of your representatives (an Owner or Store Manager) must at our request attend an annual meeting of all Store franchisees at a location we designate. You must pay all costs to attend. You must pay any meeting fee we charge even if your representative does not attend (whether or not we excuse that non-attendance).

Item 12
TERRITORY

Franchise Agreement

You will operate the Store at a specific location that we first must accept. If the Store's address is unknown when the Franchise Agreement is signed, an acceptable site must be found and secured within six (6) months afterward. In that case, we will identify in the Franchise Agreement an exclusive Site Selection Area in which a suitable site must be found. We may terminate the Franchise Agreement if we do not accept, and you do not secure, the Store's site

within six (6) months (subject to any permitted extensions). You may operate the Store only at that site and may not relocate without our prior written consent, which we may grant or deny as we deem best. Whether or not we will allow relocation depends on circumstances at the time and what is in the Store's and our system's best interests. Factors include, for example, the new site's market area, its proximity to other Stores in our system, whether you are in compliance with your Franchise Agreement, and how long it will take you to open at the new site.

Conditions for relocation approval are (1) the new site and its lease are acceptable to us, (2) you pay us a reasonable relocation fee (as set forth in the Operations Manual), (3) you reimburse any costs we incur during the relocation process, (4) you confirm that your original Franchise Agreement remains in effect and governs the Store's operation at the new site with no change in the franchise term or, at our option, sign our then-current form of franchise agreement to govern the Store's operation at the new site for a new franchise term, (5) you sign a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) you continue operating the Store at its original site until we authorize its closure, and (7) you de-brand and de-identify the Store's former premises within the timeframe we specify and at your own expense so it no longer is associated in any manner (in our opinion) with our system and the Marks.

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

You will receive an Area of Protection around your Store, but you will not receive an exclusive territory. We will identify and describe the Area of Protection in the Franchise Agreement before you sign it unless the Store's site has not yet been found and secured. In that case, we will define the Area of Protection after the site has been found and secured within the Site Selection Area. We expect the Area of Protection to encompass approximately 25,000 households, as determined by GbBIS.com or similar demographic reporting service. We may modify the Area of Protection during the franchise term only if the Store relocates. During the franchise term, we and our affiliates will not own or operate, or allow another franchisee or licensee to own or operate, another Store having its physical location within the Area of Protection. Continuation of your franchise does not depend on your achieving a certain sales volume, market penetration, or other contingency.

Other than excluding another Store from having its physical location within the Area of Protection, we and our affiliates retain all rights with respect Stores, the Marks, the sale of similar or dissimilar services and products, including but not limited to the sale of private label products under such names but not limited to, THE VITAMIN SHOPPE, VTHRIVE, PLNT, BODYTECH, TRUEYOU, FITFACTOR WEIGHT MANAGEMENT SYSTEM, TRUE ATHLETE, PROBIOCARE and YOUR ESSENTIALS ("Private Label Products"), and any other activities we and they deem appropriate, whenever and wherever we and they desire, whether inside or outside the Area of Protection. Those rights include the following:

(1) to own and operate, and to allow other franchisees and licensees to own and operate, Stores at any locations outside the Area of Protection (including at the boundary of the Area of Protection) and on any terms and conditions we and they deem appropriate;

(2) to offer and sell, and to allow others to offer and sell, inside and outside the Area of Protection, and on any terms and conditions we and they deem appropriate, services and products that are identical or similar to and/or competitive with those offered and sold by Stores, including all Private Label Products, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet, all omni channels and store within a store concepts and pop-up shops) but not through Stores that have their physical locations inside the Area of Protection;

(3) to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Area of Protection) businesses offering similar services and products under trademarks and service marks other than the Marks;

(4) to acquire the assets or ownership interests of one or more businesses offering and selling services and products similar to those offered and sold at Stores (even if such a business operates, franchises, or licenses "Competitive Businesses"), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Area of Protection;

(5) to be acquired (through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling services and products similar to those offered and sold at Stores, or by another business, even if such a business operates, franchises, or licenses Competitive Businesses inside or outside the Area of Protection; and

(6) to engage in all other activities the Franchise Agreement does not expressly prohibit.

We and our affiliates need not compensate you if we engage in these activities.

Unless you acquire development rights (described below), you have no options, rights of first refusal, or similar rights to acquire additional franchises. Although we have the right to do so (as described above), we and our affiliates have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

Your right to operate a Store is limited to services provided and products sold at the Store's physical location; it does not include the right to distribute services and products over the Internet or to engage in other supply or distribution channels unless permitted by us. We and our Affiliates currently offer and sell products and services identified by the Marks and other trademarks through alternate channels of distribution to customers throughout the world, including customers located in the Area of Protection. These channels include, but are not limited to, sales through the Internet and other web-based channels and may include various pick-up and delivery options and/or fulfillment from your Store. In such event, we may, but are under no obligation, to share any revenue with you and we reserve the right to modify any revenue sharing arrangement at any time. Your sale of products at any location outside of your Store's physical location without our prior written consent will be a material breach of the

Franchise Agreement and could subject you to a damages claim by us for, among other things, your unauthorized use of our Marks.

You may not develop, maintain, or authorize any digital marketing or social media mentioning or describing the Store or displaying any Marks without our prior written approval and, if applicable, without complying with our Brand Standards. Except for our System Website and approved digital marketing and social media, you may not conduct commerce or directly or indirectly offer or sell any products or services using any digital marketing, social media, or website.

As described in Item 1, VS Industries, which shares our principal business address, currently operates 30 retail businesses in the States of Washington, Oregon and Idaho under the name "Super Supplements". The products sold at Super Supplements businesses consist generally of vitamins and supplements which are similar to certain products sold at Stores and certain Private Label Products are sold at Super Supplements businesses. These businesses are all owned by VS Industries. VS Industries has no present intention to franchise these businesses. In addition, VSI Industries has no present intention to open a "Super Supplements" location within the Area of Protection of any franchisee. Therefore, we have no plan for resolving conflicts between our franchisees and these locations.

Development Agreement

You may (if you qualify) develop and operate a number of Stores within a specific territory (the "Territory"). We and you will identify the Territory in the Development Agreement before signing it. The Territory typically is defined by cities, counties, or other political subdivisions. We base the Territory's size primarily on the number of Stores you agree to develop, demographics, the number of distinct trade areas, and site availability. We will determine the number of Stores you must develop, and the deadlines for signing their Franchise Agreements and leases and then opening them, to keep your development rights. We and you then will complete the schedule in the Development Agreement before signing it. You may not develop or operate Stores outside the Territory. While the Development Agreement is in effect, we (and our affiliates) will not establish and operate or grant others the right to establish and operate Stores having their physical locations within the Territory. This means that while the Development Agreement is in effect, you have exclusive rights in the Territory to physical locations operating under the Marks. This is the only restriction on our (and our affiliates') activities within the Territory during the development term. Other than the development rights granted under the Development Agreement, you have no options, rights of first refusal, or similar rights to acquire additional franchises.

We may terminate the Development Agreement if you do not satisfy your development obligations. Otherwise, continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration, or other contingency. We will accept proposed locations for your additional Stores only if they meet our then-current standards for Store sites.

Despite the Rider's development schedule, we may delay your development and/or opening of additional Stores within the Territory if we believe, when you apply for another

Store, or after you (or your Controlled Affiliate) have developed and constructed but not yet opened a particular Store, that you (or your Controlled Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to develop, open, and/or operate the additional Store in full compliance with our standards and specifications. We may delay additional development and/or a Store's opening for the time period we deem best if the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

We may not alter your Territory during the Development Agreement term. Although we have the right to do so, we and our affiliates have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

Item 13
TRADEMARKS

You may use certain Marks in operating your Store. Vitamin Shoppe Procurement Services, LLC owns the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the "USPTO):

MARK	REGISTRATION NUMBER/SERIAL NUMBER	REGISTRATION DATE
®	6562781	November 16, 2021
THE VITAMIN SHOPPE®	2481906	August 28, 2001
THE VITAMIN SHOPPE®	2481640	August 28, 2001

Vitamin Shoppe Procurement Services, LLC has filed, or will file when due, all required affidavits for its registered Marks. While no Marks are due for renewal, Vitamin Shoppe Procurement Services, LLC intends to renew them if they remain important to the Store brand. Vitamin Shoppe Procurement Services, LLC licenses us to use these Marks and related intellectual property, and to authorize franchisees to use them in operating Stores, under a Trademark Agreement effective January 29, 2021 (the "License Agreement"). The License Agreement's initial term is twenty (20) years which may be extended by mutual agreement of the parties. Either we or Vitamin Shoppe Procurement Services, LLC may terminate the License Agreement upon written notice to the other as a result of default under any provision of the License Agreement. When the License Agreement terminates or expires, we must stop using and sublicensing the Marks and related intellectual property. However, any Store franchisee that has been authorized to use the Marks in its franchise may continue using the Marks until that franchisee's franchise agreement, and any permitted successor franchise agreement, expire or are terminated, but only if the franchisee continues to comply with its obligations in the franchise

agreement and any permitted successor franchise agreement during their remaining terms. No other agreement limits our right to use or sublicense any Mark (whether we own them or Vitamin Shoppe Procurement Services, LLC licenses them for use in operating the Stores).

Except as noted below, there are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must follow our rules and other Brand Standards when using the Marks, including giving proper notices of trademark and service mark registration and obtaining required fictitious or assumed-name registrations. You may not use any Mark as part of your corporate or legal business name; with modifying words, terms, designs, or symbols (other than logos we license to you); in selling any unauthorized products or services; or in connection with any digital marketing or in any user name, screen name, or profile associated with any Social Media sites without our consent or, if applicable, without complying with our Brand Standards.

If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or to use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse your expenses to comply with those directions (such as your costs to change signs or replace supplies for the Store), any loss of revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

You must notify us immediately of any actual or apparent infringement or challenge to your use of any Mark, any person's claim of any rights in any Mark (or any identical or confusingly similar trademark), or unfair competition relating to any Mark. You may not communicate with any person other than us and Vitamin Shoppe Procurement Services, LLC, our respective attorneys, and your attorneys regarding any infringement, challenge, or claim. We and Vitamin Shoppe Procurement Services, LLC may take the action we or it deems appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding or enforcement action arising from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions that we and our, and Vitamin Shoppe Procurement Services, LLC's, attorneys deem necessary or advisable to protect and maintain our and Vitamin Shoppe Procurement Services, LLC's interests in any litigation, USPTO or other proceeding, or enforcement action or otherwise to protect and maintain our and Vitamin Shoppe Procurement Services, LLC's interests in the Marks.

We will reimburse your damages and expenses incurred in any trademark infringement proceeding disputing your authorized use of any Mark, provided your use has been consistent with the Franchise Agreement, the Operations Manual, and Brand Standards communicated to you and you have timely notified us of, and complied with our directions in responding to, the proceeding. At our option, we and/or our affiliates may defend and control the defense of any proceeding arising from or relating to your use of any Mark.

The Development Agreement does not grant you the right to use the Marks. These rights arise only under signed Franchise Agreements with us.

Item 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. We and our affiliates claim copyrights in the Operations Manual (containing our trade secrets and Confidential Information), Store blueprints and other design features, signage, Marketing Materials, software, our System Website, and similar items used in operating Stores. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as we specify while operating your Store (and must stop using them at our direction). Our right to use many of the copyrighted materials described above and much of the Confidential Information described below arises from the same License Agreement described earlier.

There currently are no effective adverse material determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. Except for our agreement with Vitamin Shoppe Procurement Services, LLC, no agreement limits our right to use or allow others to use copyrighted materials.

We do not actually know of any infringing uses of our or Vitamin Shoppe Procurement Services, LLC's copyrights that could materially affect your using them in any state. We and Vitamin Shoppe Procurement Services, LLC need not protect or defend copyrights, although we intend to do so if in the system's best interests. We and Vitamin Shoppe Procurement Services, LLC may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We and Vitamin Shoppe Procurement Services, LLC need not participate in your defense of and/or indemnify you for damages or expenses incurred in a copyright proceeding.

Our Operations Manual and other materials contain our and our affiliates' Confidential Information (some of which are trade secrets under applicable law). Confidential Information includes our proprietary Store curriculum; layouts, designs, and other Plans for Stores; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating Stores; marketing research and promotional, marketing, and advertising programs for Stores; strategic plans, including expansion strategies and targeted demographics; knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, services, products, materials, and supplies that Stores use and sell; knowledge of operating results and financial performance of Stores other than your Store; customer solicitation, communication, and retention programs, along with data and information used or generated in connection with those programs; and information generated by, or used or developed in, operating your Store, including Consumer Data, and any other information contained in the Computer System or that visitors (including you) provide to the System Website.

You must comply with all laws governing the use, protection, and disclosure of Consumer Data. If there is a data security incident at the Store, you must notify us immediately, specify the extent to which Consumer Data was compromised or disclosed, and comply and

cooperate with our instructions for addressing the data security incident in order to protect Consumer Data and The Vitamin Shoppe brand (including giving us or our designee access to your Computer System, whether remotely or at the Store).

You may not use Confidential Information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure agreements with those having access to Confidential Information. We may pre-approve your non-disclosure agreements solely to ensure that you adequately protect Confidential Information and the competitiveness of Stores. Under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations or employment practices.

You must promptly disclose to us all ideas, concepts, techniques, or materials relating to the Store ("Innovations"), whether or not protectable intellectual property and whether created by or for you or your owners, employees, or contractors. Innovations belong to and are works made-for-hire for us. If any Innovation does not qualify as a "work made-for-hire" for us, you assign ownership of and all related rights to that Innovation to us and must sign (and cause your owners, employees, and contractors to sign) whatever assignment or other documents we periodically request to evidence our ownership and to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating the Store without our prior written approval.

The Development Agreement does not grant you rights to use any intellectual property. These rights arise only under signed Franchise Agreements with us.

Item 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATIONOF THE FRANCHISE BUSINESS

Brand Standards may require adequate staffing levels for the Store to operate in compliance with Brand Standards and address appearance of Store personnel and courteous service to customers. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Store employees are under your control at the Store. You must communicate clearly with Store employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of Stores, and our affiliates are not their employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. You must obtain an acknowledgment (in the form we specify or approve) from all Store employees that you (and not we or our affiliates) are their employer.

You must designate one of your employees to act as the "Store Manager. You must also designate an employee to act as "Assistant Store Manager". The Store Manager and Assistant Store Manager must complete the Initial Training to our satisfaction. The Store Manager is responsible for managing your business. The Store Manager will communicate with us directly

regarding Store-related matters and must have sufficient authority to make decisions for the Store.

All Store Managers and Assistant Store Managers and your officers and directors must sign confidentiality agreements we pre-approve. Our right to pre-approve your forms is solely to protect Confidential Information and the competitiveness of Stores. Under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations or employment practices.

If you propose to change the Store Manager or Assistant Store Manager, you must seek a new individual (the "Replacement Store Manager" or "Replacement Assistant Store Manager") for that role and appoint the Replacement Store Manager or Replacement Assistant Store Manager within thirty (30) days after the former Store Manager's or Assistant Store Manager's last day. The Replacement Store Manager or Replacement Assistant Store Manager must attend our initial orientation session within thirty (30) days after he/she is selected by you and you will be responsible for their compensation and travel related expenses during the orientation session.

Each person or entity having a ten percent (10%) or more direct or indirect ownership interest in you generally must personally guarantee all of your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. Your spouse is not required to personally guarantee your obligations, unless they have an ownership interest in your franchise. This "Guaranty and Assumption of Obligations" is Exhibit B of the Franchise Agreement. We may waive the guarantee requirement for certain private equity owners of Stores. In that case, however, we still may require individuals owning a certain percentage of the franchisee entity or actively involved in the Store's management to commit to comply with certain non-monetary contractual obligations, including confidentiality and non-disclosure.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Store must offer for sale all services and products that we periodically specify. The Store may not offer, sell, or otherwise distribute at the Store's premises or another location any services or products that we have not authorized. There are no limits on our right to modify the services and products that your Store must or may offer and sell. Brand Standards may regulate (to the extent the law allows) maximum, minimum, or other pricing requirements for services and products the Store sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all the Stores must participate and price advertising policies. There are no limits on the customers to whom your Store may sell goods and services at its premises.

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Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	4.B of Franchise Agreement, 5 of Development Agreement	10 years from the Effective Date Development Agreement term depends on development obligations.
b. Renewal or extension of the term	18 of Franchise Agreement	If you are in good standing, you may acquire successor franchise for 10 years on our then-current terms. No renewal or extension of Development Agreement.
c. Requirements for franchisee to renew or extend	18 of Franchise Agreement	You timely request business review; substantially complied with contractual obligations and operated Store in substantial compliance with Brand Standards; remodel/upgrade Store; sign then-current form of franchise agreement and releases (if applicable state law allows); and pay successor franchise fee. Terms of our new franchise agreement that you sign for successor franchise may differ materially from any and all terms contained in Franchise Agreement attached to this disclosure document (including higher fees).
d. Termination by franchisee	N/A	N/A
e. Termination by franchisor without cause	19.A of Franchise Agreement	We may not terminate your Franchise Agreement (or development rights) without cause.
f. Termination by franchisor with cause	19.A of Franchise Agreement, 6 of Development Agreement	We may terminate your Franchise Agreement (and development rights) only if you or your owners commit one of several violations.

Provision	Section in franchise or other agreement	Summary
g. "Cause" defined — curable defaults	19.A of Franchise Agreement	You have 5 days to cure monetary and insurance defaults; 10 days to satisfy unpaid judgments of at least $25,000; 30 days to pay suppliers and to cure other defaults not listed in (h) below; 60 days to vacate attachment, seizure, or levy of Store or appointment of receiver, trustee, or liquidator; and time allowed by law to cure violations of material law.
h. "Cause" defined — non-curable defaults	18.A of Franchise Agreement, 6 of Development Agreement	Non-curable defaults include: material misrepresentation or omission; failure to complete initial training to our satisfaction; failure to find and secure acceptable site by deadline; failure to develop and open Store (with fully-trained staff) by deadline; abandonment or failure to operate for more than 3 consecutive days; unapproved transfer; felony conviction or guilty plea; dishonest, unethical, or immoral conduct adversely impacting our Marks; foreclosure on Store's assets; misuse of confidential information; violation of non-compete; material underreporting of Net Revenue; failure to pay taxes due; repeated defaults; assignment for benefit of creditors or admission of inability to pay debts when due; violation of anti-terrorism laws; losing right to Store premises; any other franchise agreement or area development agreement is terminated; or causing or contributing to a data security incident or failure to comply with requirements to protect Consumer Data. We may terminate Development Agreement if you fail to pay any Franchise Fee or execute any Franchise Agreement by any Fee Deadline specified in the Schedule; you fail to have open and operating the minimum number of Stores specified in the Schedule by any Opening Deadline specified in the Schedule; an event occurs which gives us the right under any Franchise Agreement to terminate such Franchise Agreement (regardless of whether we exercise such right); or you breach or otherwise fail to comply fully with any other provision contained in this Agreement, including Section 8 (Franchisee's Covenant Not to Compete).

Provision	Section in franchise or other agreement	Summary
i. Franchisee's obligations on termination/nonrenewal	20 of Franchise Agreement	Obligations include paying outstanding amounts (plus, if applicable, liquidated damages); complete de-identification; returning confidential information; returning or destroying (at our option and at your own cost) branded materials and proprietary items; assigning telephone and telecopy numbers and directory listings; and assigning or cancelling any website or other online presence or electronic media associating you with us or the Marks (also see (o) and (r) below); we may control de-identification process if you do not voluntarily take required action; we may assume Store's management while deciding whether to buy Store's assets.
j. Assignment of contract by franchisor	17.A of Franchise Agreement, 5 of Development Agreement	No restriction on our right to assign; we may assign without your approval.
k. "Transfer" by franchisee — defined	17.B of Franchise Agreement	Includes transfer of (i) Franchise Agreement; (ii) Store or its profits, losses, or capital appreciation; (iii) all or substantially all Operating Assets; or (iv) ownership interest in you or controlling ownership interest in entity with ownership interest in you. Also includes pledge of Franchise Agreement or ownership interest.
l. Franchisor approval of transfer by franchisee	17.B of Franchise Agreement, 5 of Development Agreement	We must approve all transfers; no transfer without our prior written consent. Your development rights under Development Agreement generally are not assignable.
m. Conditions for franchisor approval of transfer	17.C of Franchise Agreement	We will approve transfer of non-controlling ownership interest in you if transferee (and each owner) qualifies and meets our then-applicable standards for non-controlling owners, is not (and has no affiliate) in a competitive business, signs our then-current form of Guaranty, and pays transfer fee. We will approve transfer of franchise rights or controlling ownership interest if transferee (and each owner) qualifies (including, if transferee is an existing franchisee, transferee is in substantial operational compliance under all other franchise agreements for Stores) and is not restricted by another agreement from moving forward with the transfer; you have paid us and our affiliates all

Provision	Section in franchise or other agreement	Summary
		amounts due, have submitted all reports, and are not then in breach; transferee and its owners and affiliates are not in a competitive business; training completed; transfer fee paid; transferee may occupy Store's site for expected franchise term; transferee signs our then-current form of franchise agreement and other documents for unexpired portion of your original franchise term (then-current form may have materially different terms); transferee agrees to repair and upgrade; you (and transferring owners) sign general release (if applicable state law allows); we determine that sales terms and financing will not adversely affect Store's operation post-transfer; you subordinate amounts due to you; and you stop using Marks and our other intellectual property (also see (r) below).
n. Franchisor's right of first refusal to acquire franchisee's business	17.G of Franchise Agreement	We may match any offer for your Store or ownership interest in you or entity that controls you.
o. Franchisor's option to purchase franchisee's business	20.F of Franchise Agreement	We may buy Store's assets at fair market value and take over site after Franchise Agreement is terminated or expires (without renewal).
p. Death or disability of franchisee	17.E of Franchise Agreement	Must transfer to approved party within 6 months; we may operate Store in interim if it is not then managed properly.
q. Non-competition covenants during the term of the franchise	13 of Franchise Agreement	No owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating; no diverting business to competitive business. "Competitive Business" means any (a) business that provides vitamins, sports nutrition, supplements and other nutritional and wellness products or services to customers as their primary business, or (b) business granting franchises or licenses to others to operate the type of business described in clause (a), other than the Store operated under a franchise agreement with us.
r. Non-competition covenants after the franchise is terminated or expires	20.E of Franchise Agreement	For 2 years after franchise term, no owning interest in or performing services for Competitive Business located or operating at Store's site, within 10 miles of Store's site, or within 10 miles of another Store (same restrictions apply after transfer).

Provision	Section in franchise or other agreement	Summary
s. Modification of the agreement	22.K of Franchise Agreement	No modifications generally, but we may change Operations Manual and Brand Standards.
t. Integration/merger clause	22.M of Franchise Agreement	Only terms of Franchise Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	22.F of Franchise Agreement	We and you must arbitrate all disputes within 10 miles of where we have our principal business address when the arbitration demand is filed (it currently is in Secaucus, New Jersey).
v. Choice of forum	22.H of Franchise Agreement	Subject to arbitration requirements, litigation must be (with limited exception) in courts closest to where we, as franchisor, have our principal business address when the action is commenced (it currently is in Secaucus, New Jersey) (subject to applicable state law).
w. Choice of law	22.G of Franchise Agreement	Federal law and Delaware law apply under Franchise Agreement (subject to applicable state law).

Item 18
PUBLIC FIGURES

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

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Company-owned Stores for which information is included in this Item 19 are substantially similar to your Store in appearance, and in the products and services offered. Some of the company-owned Stores included in this Item 19 are located in metropolitan markets where expenses are frequently higher than non-metropolitan markets. We strongly suggest that you

consult your own financial advisor or personal accountant and conduct an independent investigation of the costs and expenses you will incur in operating a Store.

Analysis of Average Total Revenue and Expenses for Company-Owned Stores

This financial performance representation ("FPR") contains two Tables. The Tables set forth certain historical information on Total Revenue and expenses for company-owned Stores. As of December 25, 2021, there were 681 company-owned Stores in operation, 536 of which are included in this FPR. Three company-owned Stores were not open for a full 12 months as of December 25, 2021 and 142 Stores had less than 3,000 square feet of space, so these Stores were excluded from the FPR.

The Tables reflect the arithmetic mean (average) annual Total Revenue and expenses, and the highest, lowest, median and number and percent of Stores higher than the mean, of Stores included in the Tables.

Description of Table 1-A

Table 1-A reflects the historical average annualized Net Revenue, Commission, Total Revenue, Total Cost of Goods Sold, Gross Profit, Royalty, Payroll, Occupancy Expense, Brand Fund, Operating Expense, Technology Fee, Total Expenses and Contribution for 536 company-operated Stores for fiscal year 2021, as well as the top, second, third and bottom quartile. We report all our financials on an accrual basis. To determine which Stores fell in each quartile, we ranked these 536 Stores based on their annual Revenue and separated into quartiles containing 134 stores each. This information is calculated from a mix of newer and mature Stores.

Description of Table 1-B

Table 1-B are the derivation tables and reflect the historical highest, lowest, average, median and number and percent of Stores higher than the group average, on an average annualized basis for the 134 stores in each quartile.

This information is calculated for each category and does not represent a single store across all categories. They are the highest and lowest values for all Stores included in that category. Thus, the lowest and highest numbers may represent annualized results for different Stores.

TABLE 1-A
Statement of Average Total Revenue and Expenses
For Stores Opened
12 Months or More for Fiscal Year 2021

	Top Quartile		2nd Quartile		3rd Quartile		Bottom Quartile		Average	
	Average	%	Average	%	Average	%	Average	%	Average	%
Net Revenue (Note 1)	$ 1,959,404	98.7%	$ 1,523,508	98.7%	$ 1,288,633	98.7%	$ 999,168	98.7%	$ 1,442,678	98.7%
Commission (Note 2)	$ 25,304	1.3%	$ 19,675	1.3%	$ 16,642	1.3%	$ 12,904	1.3%	$ 18,631	1.3%
Total Revenue (Note 3)	**$ 1,984,708**	100.0 %	**$ 1,543,183**	100.0 %	**$ 1,305,275**	100.0 %	**$ 1,012,072**	100.0%	**$ 1,461,309**	100.0%
Total Cost of Goods Sold (Note 4)	$ 961,915	48.5%	$ 751,752	48.7%	$ 638,738	48.9%	$ 504,215	49.8%	$ 714,155	48.9%
Gross Profit (Note 5)	**$ 1,022,793**	51.5%	**$ 791,431**	51.3%	**$ 666,536**	51.1%	**$ 507,856**	50.2%	**$ 747,154**	51.1%
Expenses										
Royalty (Note 6)	$ 97,970	4.9%	$ 76,175	4.9%	$ 64,432	4.9%	$ 49,958	4.9%	$ 72,134	4.9%
Payroll (Note 7)	$ 197,363	9.9%	$ 166,198	10.8%	$ 155,333	11.9%	$ 141,821	14.0%	$ 165,179	11.3%
Occupancy (Note 8)	$ 238,794	12.0%	$ 201,382	13.0%	$ 188,948	14.5%	$ 170,742	16.9%	$ 199,967	13.7%
Brand Fund (Note 9)	$ 37,336	1.9%	$ 30,470	2.0%	$ 25,773	2.0%	$ 20,026	2.0%	$ 28,401	1.9%
Operating (Note 10)	$ 61,458	3.1%	$ 49,665	3.2%	$ 44,686	3.4%	$ 38,625	3.8%	$ 48,609	3.3%
Technology Fee (Note 11)	$ 10,200	0.5%	$ 10,200	0.7%	$ 10,200	0.8%	$ 10,200	1.0%	$ 10,200	0.7%
Total Expenses (Note 12)	**$ 643,121**	32.4%	**$ 534,090**	34.6%	**$ 489,372**	37.5%	**$ 431,373**	42.6%	**$ 524,489**	35.9%
Contribution (Note 13)	**$ 379,671**	19.1%	**$ 257,341**	16.7%	**$ 177,165**	13.6%	**$ 76,483**	7.6%	**$ 222,665**	15.2%
Number of Stores in Sample	134		134		134		134		536	
Age Range of Stores in Sample (*years*)	4 - 24		6 - 25		2 - 23		1 - 23		1 - 25	

TABLE 1-B

Derivation Statement of Average Revenue and Expenses
Vitamin Shoppe Stores Opened
12 Months or More for Fiscal Year 2021

	Top Quartile	2nd Quartile	3rd Quartile	Bottom Quartile	Average
Number of Stores In Sample	134	134	134	134	536
Highest Net Revenue	$ 2,843,939	$ 1,668,294	$ 1,385,064	$ 1,166,391	$ 2,843,939
Lowest Net Revenue	$ 1,671,568	$ 1,387,504	$ 1,168,656	$ 529,956	$ 529,956
Average Net Revenue	**$ 1,959,404**	**$ 1,523,508**	**$ 1,288,633**	**$ 999,168**	**$ 1,442,678**
Median Net Revenue	$ 1,865,830	$ 1,515,766	$ 1,296,395	$ 1,037,151	$ 1,386,284
# of Stores Higher Than Group Avg.	51	65	75	79	236
% of Stores Higher Than Group Avg.	38%	49%	56%	59%	44%
Highest Commission Revenue	$ 36,727	$ 21,545	$ 17,887	$ 15,063	$ 36,727
Lowest Commission Revenue	$ 21,587	$ 17,919	$ 15,092	$ 6,844	$ 6,844
Average Commission Revenue	**$ 25,304**	**$ 19,675**	**$ 16,642**	**$ 12,904**	**$ 18,631**
Median Commission Revenue	$ 24,096	$ 19,575	$ 16,742	$ 13,394	$ 17,903
# of Stores Higher Than Group Avg.	51	65	75	79	236
% of Stores Higher Than Group Avg.	38%	49%	56%	59%	44%
Highest Total Revenue	$ 2,880,666	$ 1,689,839	$ 1,402,951	$ 1,181,454	$ 2,880,666
Lowest Total Revenue	$ 1,693,155	$ 1,405,423	$ 1,183,749	$ 536,800	$ 536,800
Average Total Revenue	**$ 1,984,708**	**$ 1,543,183**	**$ 1,305,275**	**$ 1,012,072**	**$ 1,461,309**
Median Total Revenue	$ 1,889,926	$ 1,535,341	$ 1,313,137	$ 1,050,545	$ 1,404,187
# of Stores Higher Than Group Avg.	51	65	75	79	236
% of Stores Higher Than Group Avg.	38%	49%	56%	59%	44%
Highest Total Cost of Goods Sold	$ 1,421,872	$ 877,568	$ 725,443	$ 614,846	$ 1,421,872
Lowest Total Cost of Goods Sold	$ 738,196	$ 672,108	$ 569,983	$ 274,190	$ 274,190
Average Total Cost of Goods Sold	**$ 961,915**	**$ 751,752**	**$ 638,738**	**$ 504,215**	**$ 714,155**
Median Total Cost of Goods Sold	$ 916,616	$ 748,640	$ 640,352	$ 515,393	$ 687,185
# of Stores Higher Than Group Avg.	54	62	70	78	236
% of Stores Higher Than Group Avg.	40%	46%	52%	58%	44%
Highest Total Gross Profit	$ 1,458,794	$ 888,718	$ 741,811	$ 613,114	$ 1,458,794
Lowest Total Gross Profit	$ 827,278	$ 661,974	$ 568,452	$ 262,610	$ 262,610
Average Total Gross Profit	**$ 1,022,793**	**$ 791,431**	**$ 666,536**	**$ 507,856**	**$ 747,154**
Median Total Gross Profit	$ 974,737	$ 794,653	$ 672,472	$ 530,434	$ 719,033
# of Stores Higher Than Group Avg.	52	70	75	81	238
% of Stores Higher Than Group Avg.	39%	52%	56%	60%	44%
Highest Royalty	$ 142,197	$ 83,415	$ 69,253	$ 58,320	$ 142,197
Lowest Royalty	$ 83,578	$ 69,375	$ 58,433	$ 26,498	$ 26,498
Average Royalty	**$ 97,970**	**$ 76,175**	**$ 64,432**	**$ 49,958**	**$ 72,134**
Median Royalty	$ 93,292	$ 75,788	$ 64,820	$ 51,858	$ 69,314
# of Stores Higher Than Group Avg.	51	65	75	79	236
% of Stores Higher Than Group Avg.	38%	49%	56%	59%	44%
Highest Payroll Expense	$ 290,211	$ 250,652	$ 221,249	$ 194,264	$ 290,211
Lowest Payroll Expense	$ 124,139	$ 113,380	$ 118,805	$ 84,157	$ 84,157
Average Payroll Expense	**$ 197,363**	**$ 166,198**	**$ 155,333**	**$ 141,821**	**$ 165,179**
Median Payroll Expense	$ 194,811	$ 162,395	$ 152,318	$ 141,440	$ 160,362
# of Stores Higher Than Group Avg.	63	61	59	65	230
% of Stores Higher Than Group Avg.	47%	46%	44%	49%	43%

TABLE 1-B

Derivation Statement of Average Revenue and Expenses
Vitamin Shoppe Stores Opened
12 Months or More for Fiscal Year 2021

	Top Quartile	2nd Quartile	3rd Quartile	Bottom Quartile	Average
Highest Occupancy Expense	$ 606,443	$ 430,950	$ 414,770	$ 330,623	$ 606,443
Lowest Occupancy Expense	$ 132,878	$ 92,862	$ 67,129	$ 67,941	$ 67,129
Average Occupancy Expense	**$ 238,794**	**$ 201,382**	**$ 188,948**	**$ 170,742**	**$ 199,967**
Median Occupancy Expense	$ 222,315	$ 197,249	$ 185,368	$ 164,122	$ 189,109
# of Stores Higher Than Group Avg.	53	61	64	52	224
% of Stores Higher Than Group Avg.	40%	46%	48%	39%	42%
Highest Brand Fund	$ 40,000	$ 33,366	$ 27,701	$ 23,328	$ 40,000
Lowest Brand Fund	$ 33,431	$ 27,750	$ 23,373	$ 12,302	$ 12,302
Average Brand Fund	**$ 37,336**	**$ 30,470**	**$ 25,773**	**$ 20,026**	**$ 28,401**
Median Brand Fund	$ 37,317	$ 30,315	$ 25,928	$ 20,743	$ 27,726
# of Stores Higher Than Group Avg.	67	65	75	79	251
% of Stores Higher Than Group Avg.	50%	49%	56%	59%	47%
Highest Operating Expense	$ 117,524	$ 95,315	$ 72,587	$ 94,231	$ 117,524
Lowest Operating Expense	$ 41,495	$ 26,755	$ 27,452	$ 23,265	$ 23,265
Average Operating Expense	**$ 61,458**	**$ 49,665**	**$ 44,686**	**$ 38,625**	**$ 48,609**
Median Operating Expense	$ 59,077	$ 48,019	$ 43,325	$ 37,920	$ 46,441
# of Stores Higher Than Group Avg.	54	58	56	60	226
% of Stores Higher Than Group Avg.	40%	43%	42%	45%	42%
Highest Technology Fee	$ 10,200	$ 10,200	$ 10,200	$ 10,200	$ 10,200
Lowest Technology Fee	$ 10,200	$ 10,200	$ 10,200	$ 10,200	$ 10,200
Average Technology Fee	**$ 10,200**	**$ 10,200**	**$ 10,200**	**$ 10,200**	**$ 10,200**
Median Technology Fee	$ 10,200	$ 10,200	$ 10,200	$ 10,200	$ 10,200
# of Stores Higher Than Group Avg.	-	-	-	-	-
% of Stores Higher Than Group Avg.	0%	0%	0%	0%	0%
Highest Total Expenses	$ 1,005,133	$ 806,509	$ 743,632	$ 652,875	$ 1,005,133
Lowest Total Expenses	$ 433,007	$ 407,757	$ 328,670	$ 278,957	$ 278,957
Average Total Expenses	**$ 643,121**	**$ 534,090**	**$ 489,372**	**$ 431,373**	**$ 524,489**
Median Total Expenses	$ 622,716	$ 531,463	$ 484,661	$ 426,555	$ 510,424
# of Stores Higher Than Group Avg.	54	63	63	62	234
% of Stores Higher Than Group Avg.	40%	47%	47%	46%	44%
Highest Contribution	$ 685,497	$ 429,645	$ 319,134	$ 220,500	$ 685,497
Lowest Contribution	$ (85,029)	$ (38,174)	$ (131,683)	$ (213,157)	$ (213,157)
Average Contribution	**$ 379,671**	**$ 257,341**	**$ 177,165**	**$ 76,483**	**$ 222,665**
Median Contribution	$ 372,158	$ 269,053	$ 185,508	$ 91,353	$ 209,341
# of Stores Higher Than Group Avg.	62	71	73	77	243
% of Stores Higher Than Group Avg.	46%	53%	54%	57%	45%

Table Notes:

The following notes (i) generally define each line item category shown on the attached Tables and (ii) highlight other factors you should be aware of. You should review the attached Tables only in conjunction with the following notes, which are an integral part of the numerical information.

Note 1: Net Revenue

DEFINED: "Net Revenue" means all revenue received or otherwise derived from operating your Business, whether from cash, check, credit or debit card, gift card or gift certificate, loyalty, or other credit transactions, Apple Pay, PayPal, Venmo or any other form of payment, and regardless of collection or when you actually provide the products or services in exchange for the revenue. Net Revenue does include any bona fide returns and credits that are actually provided to customers. If a franchisee receives any proceeds from any business interruption insurance applicable to loss of revenue at the Store, that will be added to Total Revenue at an amount equal to the imputed net revenue that the insurer used to calculate those proceeds. Net Revenue does not include (a) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority; or (b) any sales credited from us for online sales commissions from direct to consumer orders, web auto delivery program orders, or store replenishment auto delivery program orders.

Note 2: Commission

DEFINED: Although the company-owned Stores do not receive Commissions for online transactions such as direct to consumer orders or auto delivery program replenishment orders that occur in their Store or in their Area of Protection, we currently intend to pay franchisees a monthly credit for such transactions that occur within the Franchisee's Area of Protection. Therefore, these tables reflect what Commissions would look like if The Vitamin Shoppe Stores had been franchisee-operated. Commission calculations in these tables reflect the following current revenue sharing arrangement: 1) a 15% commission for all Auto-Delivery replenishment sales where the Auto-Delivery subscription originated in Franchisee's Store in addition to 2) a 5% commission on Auto-Delivery replenishment sales where the subscription originated online and the customer's billing address was assigned to Franchisee's Area of Protection and 3) a 5% commission on VitaminShoppe.com sales where the customer's billing address was assigned to Franchisee's Area of Protection. Calculations reflect an average Store. Commissions rates can be adjusted from time to time or discontinued at any time in our sole discretion.

Note 3: Total Revenue

DEFINED: Total Revenue is calculated as Net Revenue plus the Commission.

Note 4: Total Cost of Goods Sold (Total COGS)

DEFINED: Total COGS is the sum of all expenses associated with inventory including the cost associated with receiving, handling and shipping of the product to the Franchisee's store and loyalty expense. This value is the sum of all these costs less any credits given for

promotional funding provided by vendors for promotions they agree to support ("SCANS"), and returned, damaged or defective merchandise returned for return merchandise authorization ("RMA").

Note 5: Gross Profit

DEFINED: Gross Profit is calculated as Total Revenue less the Total Cost of Goods Sold.

Note 6: Royalty

DEFINED: Although the company-owned Stores do not pay a Royalty, we are including a Royalty of five percent (5%) of your Net Revenue for the accounting period because that is an expense you will incur. As Commissions are excluded from the definition of Net Revenue, Commissions paid to the Franchisees are not included in the calculation of the Royalty payments.

Note 7: Payroll Expense

DEFINED: Payroll Expense is the sum of all store personnel cost, including: salaries and hourly pay for both full-time and part-time employees, employee bonuses, employee and employer contributions for F.I.C.A. taxes, federal unemployment taxes, state unemployment taxes, worker's compensation insurance, group health insurance (if any), and payroll processing fees.

Note 8: Occupancy Expense

DEFINED: Occupancy Expense is the sum of all business occupancy cost including: rental space cost, common area maintenance (C.A.M), cartage, property taxes, real estate insurance, professional fees related to lease negotiations, electric, water and gas utilities.

Note 9: Brand Fund

DEFINED: Brand Fund is a fee paid on a monthly basis which is the greater of 2% of Net Revenue or a minimum of $1,000 per month, with a maximum of $40,000 per fiscal year, and includes all Marketing Expenses, including: online Marketing, social media costs, billboards, tv ads, direct mail and inserts. Some Stores are near each other and may have combined Marketing. Although the company-operated Stores do not pay into a Brand Fund, we are including this fee because that is an expense you will incur.

Note 10: Operating Expenses

DEFINED: Operating Expenses are the sum of all general and administrative expenditures related to the day-to-day operations of a Store not referenced in other expense categories, including: bank service charges, insurance expense, store supplies, signage, repairs and maintenance, third party credit card fees, accounting/professional fees, and all other miscellaneous cost. This FPR does not reflect interest, income taxes, depreciation or amortization.

Note 11: Technology Fee

DEFINED: Although the company-owned Stores do not pay a Technology Fee, we are including the Technology Fee of eight hundred and fifty dollars ($850) per month because that is an expense you will incur.

Note 12: Total Expenses

DEFINED: Total Expense is the sum of Royalty Expense, Payroll Expense, Occupancy Expense, Brand Fund, Operating Expenses and Technology Fee. This FPR does not reflect sales taxes, interest, income taxes, depreciation or amortization.

Note 13: Contribution

DEFINED: Contribution is Gross Profit less Total Expenses.

Some outlets have sold or earned these amounts. Your individual results may differ. There is no assurance that you'll sell or earn as much.

Written substantiation for the financial performance representations in this Item 19 will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Vitamin Shoppe Franchising, LLC 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 Carlos Lopez, General Counsel for Vitamin Shoppe at 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094; Carlos.Lopez@vitaminshoppe.com or (201) 552-6095; the Federal Trade Commission; and/or the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

All figures in the tables below are as of our fiscal year end. The "Company-Owned" outlets referenced in tables 1 and 4 below are owned by one or more of our affiliates.

Table No. 1

Systemwide Outlet Summary
For years 2019 to 2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned	2019	744	712	-32
	2020	712	688	-24
	2021	688	681	-7
Total Outlets	2019	744	712	-32
	2020	712	688	-24
	2021	688	681	-7

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table No. 3

Status of Franchised Outlets
For years 2019 to 2021

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

Table No. 4

Status of Company-Owned Outlets
For years 2019 to 2021

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama	2019	6	0	0	0	0	6
	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
Arizona	2019	12	0	0	0	0	12
	2020	12	0	0	1	0	11
	2021	11	0	0	1	0	10
Arkansas	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
California	2019	88	0	0	5	0	83
	2020	83	0	0	6	0	77
	2021	77	0	0	2	0	75
Colorado	2019	8	0	0	1	0	7
	2020	7	0	0	0	0	7
	2021	7	0	0	0	0	7
Connecticut	2019	11	0	0	0	0	11
	2020	11	0	0	1	0	10
	2021	10	0	0	0	0	10
District of Columbia	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Delaware	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Florida	2019	80	0	0	1	0	79
	2020	79	2	0	0	0	81
	2021	81	1	0	1	0	81
Georgia	2019	25	0	0	0	0	25
	2020	25	0	0	1	0	24
	2021	24	0	0	0	0	24

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Hawaii	2019	7	0	0	0	0	7
	2020	7	0	0	0	0	7
	2021	7	0	0	0	0	7
Idaho	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Illinois	2019	38	0	0	0	0	38
	2020	38	0	0	1	0	37
	2021	37	0	0	0	0	37
Indiana	2019	13	0	0	1	0	12
	2020	12	0	0	1	0	11
	2021	11	0	0	0	0	11
Iowa	2019	3	0	0	0	0	3
	2020	3	0	0	1	0	2
	2021	2	0	0	0	0	2
Kansas	2019	3	0	0	1	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Kentucky	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
Louisiana	2019	8	0	0	0	0	8
	2020	8	0	0	2	0	6
	2021	6	0	0	0	0	6
Maine	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Maryland	2019	22	0	0	1	0	21
	2020	21	0	0	0	0	21
	2021	21	0	0	0	0	21
Massachusetts	2019	21	0	0	4	0	17
	2020	17	0	0	1	0	16
	2021	16	0	0	0	0	16

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Michigan	2019	19	0	0	1	0	18
	2020	18	0	0	1	0	17
	2021	17	0	0	0	0	17
Minnesota	2019	10	0	0	1	0	9
	2020	9	0	0	2	0	7
	2021	7	0	0	0	0	7
Mississippi	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Missouri	2019	8	0	0	0	0	8
	2020	8	0	0	1	0	7
	2021	7	0	0	0	0	7
Nebraska	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Nevada	2019	8	0	0	0	0	8
	2020	8	0	0	0	0	8
	2021	8	0	0	0	0	8
New Hampshire	2019	6	0	0	1	0	5
	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
New Jersey	2019	34	0	0	0	0	34
	2020	34	2	0	0	0	36
	2021	36	2	0	2	0	36
New Mexico	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
New York	2019	71	0	0	2	0	69
	2020	69	0	0	3	0	66
	2021	66	0	0	2	0	64
North Carolina	2019	27	0	0	0	0	27
	2020	27	0	0	0	0	27
	2021	27	0	0	0	0	27

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Ohio	2019	25	0	0	1	0	24
	2020	24	0	0	1	0	23
	2021	23	0	0	1	0	22
Oklahoma	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Oregon	2019	4	0	0	2	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Pennsylvania	2019	31	1	0	2	0	30
	2020	30	0	0	2	0	28
	2021	28	0	0	1	0	27
Puerto Rico	2019	3	0	0	1	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Rhode Island	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
South Carolina	2019	17	0	0	0	0	17
	2020	17	0	0	0	0	17
	2021	17	0	0	0	0	17
South Dakota	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Tennessee	2019	13	1	0	0	0	14
	2020	14	0	0	0	0	14
	2021	14	0	0	0	0	14
Texas	2019	54	0	0	0	0	54
	2020	54	0	0	0	0	54
	2021	54	0	0	0	0	54
Utah	2019	3	0	0	1	0	2
	2020	2	0	0	1	0	1
	2021	1	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Vermont	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Virginia	2019	25	0	0	0	0	25
	2020	25	0	0	0	0	25
	2021	25	0	0	0	0	25
Washington	2019	8	0	0	8	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Wisconsin	2019	5	0	0	0	0	5
	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
Totals	**2019**	**744**	**2**	**0**	**34**	**0**	**712**
	2020	**712**	**4**	**0**	**28**	**0**	**688**
	2021	**688**	**3**	**0**	**10**	**0**	**681**

Table No. 5

Projected Openings as of December 25, 2021

Column 1	**Column 2**	**Column 3**	**Column 4**
State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	0	1	0
California	0	1	0
Florida	0	1	0
Indiana	1	1	0
North Carolina	1	2	0
New York	0	1	0
Texas	1	1	0
Totals	3	8	0

Attached as Exhibit I is a list of the names, business addresses and telephone numbers of all Vitamin Shoppe franchisees as of December 25, 2021. There were no franchisees that had their franchise agreement terminated, canceled, or not renewed, or that otherwise voluntarily or involuntarily ceased doing business under our Franchise Agreement or Development Agreement, during our last fiscal year or that have not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system.

There are currently no other trademark-specific franchisee organizations associated with The Vitamin Shoppe franchise system.

Item 21
FINANCIAL STATEMENTS

Attached as Exhibit A to this Disclosure Document are the audited financial statements of FGI, our parent company, which include the consolidated balance sheets as of December 25, 2021 and December 26, 2020 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the fiscal years ended December 25, 2021 and December 26, 2020, the transition period ended December 28, 2019, and the fiscal year ended April 30, 2019 and the related notes (collectively referred to as the "financial statements"). FGI guarantees the performance of our obligations under the Franchise Agreement. A copy of the guaranty of FGI is attached as Exhibit A.

Item 22
CONTRACTS

The following contracts/documents are exhibits:

1. Franchise Agreement (Exhibit B)
2. Development Agreement (Exhibit C)
3. Franchisee Representations Document (Exhibit F)
4. Form of General Release (Exhibit G)
5. State-Specific Agreement Riders (Exhibit H)
6. Loan Documents (Exhibit J)

Item 23
RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

EXHIBIT A

FINANCIAL STATEMENTS

GUARANTEE OF PERFORMANCE

For value received, Franchise Group, Inc., a Delaware corporation (the "Guarantor"), located at 109 Innovation Court, Suite J, Delaware, Ohio 43015, absolutely and unconditionally guarantees to assume the duties and obligations of Vitamin Shoppe Franchising LLC, located at 300 Harmon Meadow Boulevard, Seacaucus, New Jersey 07094 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2022 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This Guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Delaware, Ohio on this 21st day of March 2022.

Guarantor:

FRANCHISE GROUP, INC.

By: _____

Name: Eric Seeton

Title: Chief Financial Officer

Item 8. Financial Statements and Supplementary Data.

TABLE OF CONTENTS

Reports of Independent Registered Accounting Firm (PCAOB ID No. 34 (Deloitte & Touche LLP) and No. 677 (Cherry Bekaert LLP))	2
Consolidated Statements of Operations	6
Consolidated Balance Sheets	8
Consolidated Statements of Comprehensive Income (Loss)	7
Consolidated Statement of Stockholders' Equity	9
Consolidated Statements of Cash Flows	12
Notes to Consolidated Financial Statements	14
Note 1 - Organization and Significant Accounting Policies	14
Note 2 - Acquisitions	21
Note 3 - Discontinued Operations	25
Note 4 - Notes and Accounts Receivable	27
Note 5 - Property, Plant, and Equipment, Net	30
Note 6 - Goodwill and Intangible Assets	30
Note 7 - Revenue	32
Note 8 - Leases	34
Note 9 - Long-Term Obligations	35
Note 10 - Stockholders' Equity	42
Note 11 - Stock Compensation Plan	43
Note 12 - Income Taxes	46
Note 13 - Related Party Transactions	50
Note 14 - Commitments and Contingencies	51
Note 15 - Segments	52
Note 16 - Subsequent Events	54
Note 17 - Selected Quarterly Financial Information	54

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franchise Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Franchise Group, Inc. and subsidiaries (the "Company") as of December 25, 2021 and December 26, 2020 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for the fiscal years ended December 25, 2021 and December 26, 2020, and the transition period ended December 28, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2021 and December 26, 2020 and the results of its operations and its cash flows for the fiscal years ended December 25, 2021 and December 26, 2020, and the transition period ended December 28, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 25, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisitions – Refer to Notes 1 and 2 to the financial statements

Critical Audit Matter Description

The Company completed multiple acquisitions during the current year. The Company accounted for the acquisitions under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values. The method for determining fair value of

certain assets and liabilities, such as intangible assets, is subjective in nature and involved management making significant estimates and assumptions, such as future cash flows and the selection of the discount rate.

We identified certain acquired assets and liabilities, including intangible assets, as a critical audit matter because of the significant judgments made by management to estimate the preliminary fair value. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future cash flows and selection of the discount rate, in determining the estimated fair value assigned to certain assets acquired and liabilities assumed, such as intangible assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasted information, discount rates, and the estimated fair value assigned to certain assets acquired and liabilities assumed, such as intangible assets, for the acquired companies included the following, among others:

- We evaluated the reasonableness of management's revenue forecasts by comparing the forecasts to historical revenues.
- We evaluated the impact of actual results compared to management's forecasts from the acquisition date to December 25, 2021.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodologies and (2) discount rate by:
    - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
    - Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 23, 2022

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franchise Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Franchise Group, Inc. and subsidiaries (the "Company") as of December 25, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the fiscal year ended December 25, 2021, of the Company and our report dated February 23, 2022, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control Over Financial Reporting (not presented herein), management excluded from its assessment the internal control over financial reporting at the Pet Supplies Plus, Sylvan, and Badcock segments, as these companies were acquired during the fiscal year ended December 25, 2021. The financial statements of these acquired companies collectively constitute 39% of consolidated total assets, 32% of consolidated revenues, and 14% of consolidated net income as of and for the fiscal year ended December 25, 2021. Accordingly, our audit did not include the internal control over financial reporting at the Pet Supplies Plus, Sylvan, and Badcock segments.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting (not presented herein). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 23, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Franchise Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Tax, Inc. and Subsidiaries (the “Company”) as of April 30, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the two-year period ended April 30, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended April 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of April 30, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO), and our report dated June 27, 2019, expressed an adverse opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe our audits provide a reasonable basis for our opinion.

Adoption of the New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for revenue as a result of the adoption of the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective May 1, 2018. Our opinion is not modified with respect to that matter.

/s/ Cherry Bekaert LLP

We served as the Company's auditor from 2018 to 2019.

Virginia Beach, Virginia
June 27, 2019 (except for the effects of discontinued operations discussed in Note 3, as to which the date is June 25, 2021)

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended December 25, 2021, December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited), and Year Ended April 30, 2019

(In thousands, except per share data)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019- 12/28/2019	Period from 5/1/2018 - 12/29/2018	Twelve Months Ended 4/30/2019
Revenues:					
Product	$ 3,012,471	$ 1,899,662	$ 96,139	$ —	$ —
Service and other	209,103	65,798	14,751	—	—
Rental	33,630	64,267	23,636	—	—
Total revenues	3,255,204	2,029,727	134,526	—	—
Operating expenses:					
Cost of revenue:					
Product	1,892,741	1,136,054	71,820	—	—
Service and other	16,506	2,149	768	—	—
Rental	11,552	21,905	8,661	—	—
Total cost of revenue	1,920,799	1,160,108	81,249	—	—
Selling, general, and administrative expenses	1,108,054	817,108	96,298	—	—
Total operating expenses	3,028,853	1,977,216	177,547	—	—
Income (loss) from operations	226,351	52,511	(43,021)	—	—
Other income (expense):					
Bargain purchase gain	132,559	—	—	—	—
Other	(67,368)	(5,294)	—	—	—
Interest expense, net	(133,114)	(96,774)	(6,998)	—	—
Income (loss) from continuing operations before income taxes	158,428	(49,557)	(50,019)	—	—
Income tax expense (benefit)	(33,538)	(60,501)	(8,577)	—	—
Income (loss) from continuing operations	191,966	10,944	(41,442)	—	—
Income (loss) from discontinued operations, net of tax	171,822	16,210	(63,024)	(43,053)	(2,156)
Net Income (Loss)	363,788	27,154	(104,466)	(43,053)	(2,156)
Less: Net (income) loss attributable to non-controlling interest	—	(2,090)	36,039	—	—
Net income (loss) attributable to Franchise Group, Inc.	$ 363,788	$ 25,064	$ (68,427)	$ (43,053)	$ (2,156)
Amounts attributable to Franchise Group, Inc.:					
Net income (loss) from continuing operations	$ 191,966	$ 20,645	$ (22,614)	$ —	$ —
Net income (loss) from discontinued operations	171,822	4,419	(45,813)	(43,053)	(2,156)
Net income (loss) attributable to Franchise Group, Inc.	$ 363,788	$ 25,064	$ (68,427)	$ (43,053)	$ (2,156)
Basic earnings (loss) per share:					
Continuing operations	$ 4.56	$ 0.57	$ (1.35)	$ —	$ —
Discontinued operations	4.27	0.13	(2.76)	(3.17)	(0.16)
Total basic earnings (loss) per share	$ 8.83	$ 0.70	$ (4.11)	$ (3.17)	$ (0.16)
Diluted earnings (loss) per share:					
Continuing operations	$ 4.48	$ 0.57	$ (1.36)	$ —	$ —
Discontinued operations	4.19	0.13	(2.75)	(3.17)	(0.16)
Total diluted earnings (loss) per share	$ 8.67	$ 0.70	$ (4.11)	$ (3.17)	$ (0.16)
Weighted-average shares outstanding:					
Basic	40,199,681	34,531,362	16,669,065	13,602,774	13,800,884
Diluted	40,964,182	34,971,935	16,669,065	13,602,774	13,800,884

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 25, 2021 and December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited) and Year Ended April 30, 2019

(In thousands)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019 - 12/28/2019	Transition Period From 5/1/2018 - 12/29/2018	Twelve Months Ended 4/30/2019
Net income (loss)	$ 363,788	$ 27,154	$ (104,466)	$ (43,053)	$ (2,156)
Other comprehensive income (loss)					
Foreign currency translation adjustment	381	242	412	(654)	(527)
Unrealized (loss) gain on interest rate swap agreement, net of taxes of $13, ($24), ($15), ($16), and ($23), respectively	45	(103)	(40)	(18)	(36)
Reclassification of unrealized loss on interest rate swap agreement and foreign currency translation adjustments realized upon disposal of business	973	—	—	—	—
Other comprehensive income (loss)	1,399	139	372	(672)	(563)
Comprehensive income (loss)	365,187	27,293	(104,094)	(43,725)	(2,719)
Less: comprehensive (income) loss attributable to non-controlling interest	—	(1,915)	35,911	—	—
Comprehensive income (loss) attributable to Franchise Group, Inc.	$ 365,187	$ 25,378	$ (68,183)	$ (43,725)	$ (2,719)

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
As of December 25, 2021 and December 26, 2020

(In thousands, except share count and per share data)	12/25/2021	12/26/2020
Assets		
Current assets:		
Cash and cash equivalents	$ 292,714	$ 148,780
Current receivables, net	118,698	67,335
Current securitized receivables, net	369,567	—
Inventories, net	673,170	302,307
Current assets held for sale	—	43,023
Other current assets	24,063	13,997
Total current assets	1,478,212	575,442
Property, plant, and equipment, net	449,886	135,872
Non-current receivables, net	11,755	12,800
Non-current securitized receivables, net	47,252	—
Goodwill	806,536	448,258
Intangible assets, net	127,951	16,592
Tradenames	222,687	93,300
Operating lease right-of-use assets	714,741	502,104
Non-current assets held for sale	—	55,116
Investment in equity securities	35,249	—
Other non-current assets	18,902	8,428
Total assets	$ 3,913,171	$ 1,847,912
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term obligations	$ 486,170	$ 104,053
Current operating lease liabilities	173,101	127,032
Accounts payable and accrued expenses	410,552	252,389
Current liabilities held for sale	—	40,576
Other current liabilities	50,833	25,174
Total current liabilities	1,120,656	549,224
Long-term obligations, excluding current installments	1,383,725	466,944
Non-current operating lease liabilities	557,071	402,276
Non-current liabilities held for sale	—	8,779
Other non-current liabilities	88,888	35,522
Total liabilities	3,150,340	1,462,745
Stockholders' equity:		
Common stock, $0.01 par value per share, 180,000,000 and 180,000,000 shares authorized, 40,296,688 and 40,092,260 shares issued and outstanding at December 25, 2021 and December 26, 2020, respectively	403	401
Preferred stock, $0.01 par value per share, 4,800,000 and 20,000,000 shares authorized, 4,541,125 and 1,250,000 shares issued and outstanding at December 25, 2021 and December 26, 2020, respectively	45	13
Additional paid-in capital	475,396	382,383
Accumulated other comprehensive loss, net of taxes	—	(1,399)
Retained earnings	286,987	3,769
Total equity	762,831	385,167
Total liabilities and equity	$ 3,913,171	$ 1,847,912

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Year Ended December 25, 2021

(In thousands)	Shares	Common stock	Shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity	Non-controlling interest	Total Equity
Balance at December 26, 2020	40,092	$ 401	1,250	$ 13	$ 382,383	$ (1,399)	$ 3,769	$ 385,167	$ —	$ 385,167
Net income	—	—	—	—	—	—	363,788	363,788	—	363,788
Total other comprehensive income	—	—	—	—	—	1,399	—	1,399	—	1,399
Exercise of stock options	60	1	—	—	663	—	—	664	—	664
Stock-based compensation, net	145	1	—	—	12,840	—	—	12,841	—	12,841
Issuance of Series A Preferred Stock	—	—	3,291	32	79,510	—	—	79,542	—	79,542
Common dividend declared ($1.750 per share)	—	—	—	—	—	—	(72,055)	(72,055)	—	(72,055)
Preferred dividend declared ($1.875 per share)	—	—	—	—	—	—	(8,515)	(8,515)	—	(8,515)
Balance at December 25, 2021	40,297	$ 403	4,541	$ 45	$ 475,396	$ —	$ 286,987	$ 762,831	$ —	$ 762,831

Consolidated Statement of Stockholders' Equity
Year Ended December 26, 2020

(In thousands)	Shares	Common stock	Shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity	Non-controlling interest	Total Equity
Balance at December 29, 2019	18,250	$ 183	1,887	$ 19	$ 108,339	$ (1,538)	$ 18,388	$ 125,391	$ 26,370	$ 151,761
Changes and distributions of non-controlling interest in New Holdco	—	—	—	—	23,744	(175)	—	23,569	(25,927)	(2,358)
Net income	—	—	—	—	—	—	25,064	25,064	2,090	27,154
Total other comprehensive	—	—	—	—	—	314	—	314	(175)	139
Exercise of stock options	50	1	—	—	519	—	—	520	—	520
Stock-based compensation, net	66	—	—	—	8,810	—	—	8,810	—	8,810
Issuance of common stock	12,292	123	—	—	228,892	—	—	229,015	—	229,015
Issuance of Series A Preferred Stock	—	—	1,250	13	29,470	—	—	29,483	—	29,483
Conversion of preferred to common stock	9,434	94	(1,887)	(19)	(10,028)	—	—	(9,953)	—	(9,953)
Common dividend declared ($1.125 per share)	—	—	—	—	—	—	(41,286)	(41,286)	—	(41,286)
Preferred dividend declared ($0.609 per share)	—	—	—	—	—	—	(755)	(755)	—	(755)
Tax Receivable Agreement	—	—	—	—	(7,363)	—	—	(7,363)	—	(7,363)
Adjustment	—	—	—	—	—	—	2,358	2,358	(2,358)	—
Balance at December 26, 2020	40,092	$ 401	1,250	$ 13	$ 382,383	$(1,399)	$ 3,769	$ 385,167	$ —	$ 385,167

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Transition Period Ended December 28, 2019

(In thousands)	Shares	Common stock	Shares	Preferred Stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity	Non-controlling interest	Total Equity
Balance at May 1, 2019	14,049	$ 140	—	$ —	$ 12,552	$(1,910)	$ 92,932	$ 103,714	$ —	$ 103,714
Cumulative effect of adopted accounting standards, net	—	—	—	—	—	—	319	319	—	319
Buddy's Acquisition - issuance of Preferred Stock and	—	—	1,617	16	87,934	—	—	87,950	—	87,950
Non-controlling interest in New Holdco	—	—	—	—	(62,409)	—	—	(62,409)	62,409	—
Buddy's Partners Acquisition - issuance of Preferred	—	—	270	3	16,197	—	—	16,200	—	16,200
Net loss	—	—	—	—	—	—	(68,427)	(68,427)	(36,167)	(104,594)
Total other comprehensive income	—	—	—	—	—	372	—	372	128	500
Exercise of stock options	208	2	—	—	2,200	—	—	2,202	—	2,202
Stock-based compensation, net	74	1	—	—	2,991	—	—	2,992	—	2,992
Issuance of common stock related to Buddy's Acquisition	2,083	21	—		24,979	—		25,000	—	25,000
Issuance of common stock related to Sears Outlet Acquisition	3,333	33	—		39,967	—		40,000	—	40,000
Issuance of common stock related to Vitamin Shoppe	2,439	25	—		31,118	—		31,143	—	31,143
Tender Offer	(3,936)	(39)	—		(47,190)	—		(47,229)	—	(47,229)
Common dividend declared ($0.25 per	—	—	—	—	—	—	(6,436)	(6,436)	—	(6,436)
Balance at December 28, 2019	18,250	$ 183	1,887	$ 19	$ 108,339	$(1,538)	$ 18,388	$ 125,391	$ 26,370	$ 151,761

Consolidated Statement of Stockholders' Equity
Year Ended April 30, 2019

(In thousands)	Shares	Class A common stock	Shares	Class B common stock	Shares	Exchangeable stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Equity
Balance at May 1, 2018	12,823	$ 128	200	$ 2	1,000	$ 10	$ 11,570	$(1,347)	$ 101,139	$ 111,502
Cumulative effect of adopted accounting	—	—	—	—	—	—	—	—	(3,794)	(3,794)
Net income	—	—	—	—	—	—	—	—	(2,156)	(2,156)
Total other comprehensive loss	—	—	—	—	—	—	—	(563)	—	(563)
Conversion of preferred stock to	—	—	—	—	(1,000)	(10)	—	—	—	(10)
Exercise of stock options	14	—	—	—	—	—	153	—	—	153
Stock-based compensation, net	12	—	—	—	—	—	829	—	—	829
Dividend declared ($0.16 per share)	—	—	—	—	—	—	—	—	(2,257)	(2,257)
Converted Class B common stock to Class A common	1,200	12	(200)	(2)	—	—	—	—	—	10
Balance at April 30, 2019	14,049	$ 140	—	$ —	—	$ —	$ 12,552	$(1,910)	$ 92,932	$ 103,714

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 25, 2021, December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited) and Year Ended April 30, 2019

(In thousands)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019 - 12/28/2019	Period From 5/1/2018 - 12/29/2018	Twelve Months Ended 4/30/2019
Operating Activities					
Net income (loss)	$ 363,788	$ 27,154	$ (104,466)	$ (43,053)	$ (2,156)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	8,878	5,930	4,751	5,150	8,738
Depreciation, amortization, and impairment charges	72,765	62,543	32,401	8,429	14,084
Amortization of deferred financing costs	56,054	30,635	319	169	38
Stock-based compensation expense	13,696	9,484	3,102	604	999
(Gain) loss on bargain purchases and sales of Company stores	(137,747)	(4,133)	(1,106)	(155)	694
Deferred tax (income) expense	709	1,092	(9,275)	(200)	586
Prepayment penalty for early debt extinguishment	36,726	—	—	—	—
Gain on divestiture of Liberty Tax	(188,092)	—	—	—	—
Change in fair value of investment	31,773	—	—	—	—
Other, net	1,749	85	900	5,244	5,833
Change in					
Accounts, notes, and interest receivable	(18,543)	(19,811)	(226)	9,726	3,035
Income taxes receivable	(20,191)	(8,059)	(2,012)	(23,546)	(6,886)
Other assets	12,939	(5,573)	27,038	1,470	(3,656)
Accounts payable and accrued expenses	(12,215)	23,927	(4,414)	(12,510)	(338)
Inventory	(121,393)	97,681	10,134	—	—
Deferred revenue	5,073	20,537	1,369	(3,102)	(3,842)
Net cash provided by (used in) operating activities	105,969	241,492	(41,485)	(51,774)	17,129
Investing Activities					
Issuance of operating loans to franchisees	(17,749)	(34,136)	(22,483)	(28,940)	(68,283)
Payments received on operating loans to franchisees	23,103	50,291	827	2,048	67,556
Purchases of Company-owned stores	(1,087)	(6,587)	(3,491)	(139)	(229)
Proceeds from sale of Company-owned stores	12,866	36,349	279	1,207	1,229
Acquisition of business, net of cash and restricted cash acquired	(1,063,811)	(353,423)	(317,251)	—	—
Divestiture of business, net of cash and restricted cash sold	179,471	—	—	—	—
Capital expenditures	(46,958)	(34,931)	(1,136)	(2,391)	(2,939)
Proceeds from sale of property, plant, and equipment	6	1,224	—	—	—
Net cash (used in) investing activities	(914,159)	(341,213)	(343,255)	(28,215)	(2,666)
Financing Activities					
Proceeds from the exercise of stock options	665	520	2,202	—	153
Repurchase of common stock and tax impact of stock compensation	—	—	—	—	(88)
Dividends paid	(67,234)	(29,350)	—	(2,244)	(2,244)
Non-controlling interest distribution	—	(4,716)	—	—	—
Repayment of other long-term obligations	(1,176,581)	(505,486)	(13,054)	(4,235)	(7,502)
Borrowings under revolving credit facility	26,724	184,665	129,260	75,946	123,615
Repayments under revolving credit facility	(84,874)	(235,614)	(25,403)	(3,692)	(123,615)
Issuance of common stock	—	198,004	96,143	—	—
Issuance of preferred stock	79,542	29,482	—	—	—
Tender Offer	—	—	(47,229)	—	—
Payment for debt issue costs	(65,926)	(16,865)	(15,071)	—	—
Prepayment penalty for early debt extinguishment	(36,726)	—	—	—	—
Issuance of debt	2,275,000	586,000	280,000	—	—
Cash paid for taxes on exercises/vesting of stock-based compensation	(856)	(487)	(110)	(83)	(83)
Net cash provided by (used in) financing activities	949,734	206,153	406,738	65,692	(9,764)
Effect of exchange rate changes on cash, net	36	(76)	165	(244)	(238)
Net increase in cash and cash equivalents and restricted cash	141,580	106,356	22,163	(14,541)	4,461
Cash, cash equivalents and restricted cash at beginning of year	151,502	45,146	22,983	18,522	18,522
Cash, cash equivalents and restricted cash at end of year	$ 293,082	$ 151,502	$ 45,146	$ 3,981	$ 22,983

See accompanying notes to consolidated financial statements.

		Supplemental Cash Flow Disclosure			
	Twelve Months Ended	Twelve Months Ended	Transition Period From 5/1/2019 -	Period From 5/1/2018 -	Twelve Months Ended
(In thousands)	12/25/2021	12/26/2020	12/28/2019	12/29/2018	4/30/2019
Cash paid for taxes, net of refunds	$ 42,154	$ 1,858	$ 1,140	$ 4,031	$ 4,031
Cash paid for interest	91,623	49,825	4,180	1,577	2,734
Accrued capital expenditures	3,445	5,025	—	—	—
Non-cash proceeds from divestiture of Liberty Tax	74,073	—	—	—	—
Deferred financing costs from issuance of common stock	—	31,013	—	—	—
Capital expenditures funded by finance lease liabilities	756	—	—	—	—
Tax receivable agreement included in other long-term liabilities	504	16,775	—	—	—

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same amounts shown in the consolidated statements of cash flows.

(In thousands)	12/25/2021	12/26/2020
Cash and cash equivalents	$ 292,714	$ 148,780
Restricted cash included in other non-current assets	368	—
Cash and cash equivalents for discontinued operations	—	2,722
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 293,082	$ 151,502

Amounts included in other non-current assets represent those required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims.

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Organization and Significant Accounting Policies

Description of Business. Franchise Group, Inc. (the "Company") is an owner and operator of franchised and franchisable businesses that continually looks to grow its portfolio of brands while utilizing its operating and capital allocation philosophies to generate strong cash flows. The Company has a diversified and growing portfolio of highly recognized brands.

Change in Fiscal Year-End. On October 1, 2019, the Board of Directors of the Company approved a change in the Company's fiscal year-end from April 30 to the Saturday closest to December 31 of each year. The decision to change the fiscal year-end was related to the Company's recent acquisitions to more closely align the Company's operations and internal controls with that of its subsidiaries. As a result of the change in fiscal year-end the Company previously filed a Transition Report on Form 10-K/T reporting the Company's financial results for the period beginning May 1, 2019 through December 28, 2019.

Acquisitions. For a complete description of the Company's acquisitions, see "Note 2 - Acquisitions". On March 10, 2021, the Company completed its acquisition of Pet Supplies Plus for an aggregate purchase price of $451.1 million. On September 27, 2021, the Company completed its acquisition of Sylvan Learning ("Sylvan") for an aggregate purchase price of $$82.9 million. On November 22, 2021, the Company completed its acquisition of Badcock Home Furniture & More ("Badcock") for an aggregate purchase price of $545.8 million.

The assets acquired and the liabilities assumed in the acquisitions above are recorded at fair value in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." Acquisition-related costs are expensed as incurred. The purchase price is allocated to the various tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values, some of which are preliminary as of December 25, 2021. In the case where there is an excess of aggregate net fair value of assets acquired and liabilities assumed over the fair value of consideration transferred, the purchase price will be recorded as a bargain purchase gain. Determining the fair value of certain assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions, which are inherently uncertain. Many of the estimates and assumptions used to determine fair values, such as those used for intangible assets are made based on forecasted information and discount rates. In addition, the judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations.

During the measurement period, which is not to exceed one year from the acquisitions, the Company may record adjustments to the acquired assets and liabilities assumed or the preliminary purchase price, with a corresponding offset to goodwill or bargain purchase gain, to reflect new information obtained about facts and circumstances that existed as of the acquisition dates. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Divestitures. On July 2, 2021, the Company completed the sale of its Liberty Tax business to NextPoint, as described in "Note 3 - Discontinued Operations".

Segment Information. The Company currently operates in six reportable segments: Vitamin Shoppe, Pet Supplies Plus, Badcock, American Freight, Buddy's, and Sylvan.

The Vitamin Shoppe segment is an omnichannel specialty retailer of vitamins, minerals, herbs, specialty supplements, sports nutrition, and other health and wellness products. The Vitamin Shoppe segment markets approximately 700 nationally recognized brands as well as its own brands, which include The Vitamin Shoppe®, BodyTech®, True Athlete®, plnt®, ProBioCare®, Fitfactor Weight Management System® and Vthrive The Vitamin Shoppe®, and is headquartered in Secaucus, New Jersey.

The Pet Supplies Plus segment is a leading omnichannel retail chain and franchisor and retailer of pet supplies and services. Pet Supplies Plus has a diversified revenue model comprised of Company-owned store revenue, franchise royalties and revenue

generated from wholesale distribution to franchisees. The Pet Supplies Plus segment consists of the Company's operations under the "Pet Supplies Plus" brand and is headquartered in Livonia, Michigan.

The Badcock segment is a specialty retailer of furniture, appliances, bedding, electronics, home office equipment, accessories and seasonal items in a showroom format. Additionally, Badcock offers multiple and flexible payment solutions and credit options through its consumer financing services. We expect Badcock to shift its consumer financing business to third-party vendors in the future. The Badcock segment operates under the brand "Badcock Home Furniture & More" and is headquartered in Mulberry, Florida.

The American Freight segment is a retail chain offering in-store and online access to furniture, mattresses, new and out-of-box home appliances and home accessories and seasonal items in a showroom format. The American Freight segment consists of our operations under the "American Freight" banner and is headquartered in Delaware, Ohio.

The Buddy's segment is a specialty retailer of high quality, name brand consumer electronics, residential furniture, appliances and household accessories through rent-to-own agreements. The Buddy's segment consists of the Company's operations under the "Buddy's" brand and is headquartered in Orlando, Florida.

The Sylvan segment is an established and growing franchisor of supplemental education for Pre-K-12 students and families in the United States and Canada. The Sylvan segment consists of the Company's operations under the "Sylvan" brand and is headquartered in Hunt Valley, Maryland.

Principles of Consolidation. The audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The Company consolidates any entities in which it has a controlling interest, the usual condition of which is ownership of a majority voting interest. Prior to April 1, 2020, the Company reported a non-controlling interest representing the economic interest in New Holdco held by the Buddy’s Members. As of April 1, 2020, the Company redeemed all outstanding New Holdco units for shares of common stock of the Company and now has a 100% interest in New Holdco. Refer to "Note 10 - Stockholders Equity" for more information on the non-controlling interest.

The Company does not possess any ownership interests in franchisee entities; however, the Company may provide financial support to franchisee entities. Because the Company's franchise arrangements provide franchisee entities the power to direct the activities that most significantly impact their economic performance, the Company does not consider itself the primary beneficiary of any such entity that meets the definition of a variable interest entity ("VIE"). The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it. Based on the results of management's analysis of potential VIEs, the Company has not consolidated any franchisee entities. The Company's maximum exposure to loss resulting from involvement with potential VIEs is attributable to accounts and notes receivables and future lease payments due from franchisees. When the Company does not have a controlling interest in an entity but has the ability to exert significant influence over the entity, the Company applies the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation. Revenues have been classified into product, service and other and rental revenues as further discussed in "Note 7 - Revenue." Costs of sales for product includes the cost of merchandise, transportation and warehousing costs. Service and other costs of sales include the direct costs of warranties. Rental cost of sales represents the amortization of inventory costs over the leased term. Other operating expenses, including employee costs, depreciation and amortization, and advertising expenses have been classified in selling, general and administrative expenses. The Company also includes occupancy costs in selling, general and administrative expenses.

*Cash and Cash Equivalents***.** The Company considers all highly liquid instruments with maturities of three months or less at the time of purchase, as well as credit card receivables for sales to customers in its Company-operated stores that generally settle within two to five business days, to be cash equivalents. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally-insured limits. The Company has not experienced any losses related to these balances, and the Company believes credit risk to be minimal.

*Inventories***.** Inventory for the Vitamin Shoppe segment is recorded at the lower of cost or market value using the weighted-average cost method. Inventory includes costs directly incurred in bringing the product to its existing condition and location. In addition, the cost of inventory is reduced by purchase discounts and other allowances received from vendors. A markdown reserve is estimated based on a variety of factors, including, but not limited to, the amount of inventory on hand and its remaining shelf life, current and expected market conditions and product expiration dates. In addition, the Company has established a reserve for estimated inventory shrinkage based on the actual, historical shrinkage of its most recent physical inventories adjusted, if necessary, for current economic conditions and business trends. Physical inventories and cycle counts are taken on a regular basis. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand or competition differ from management expectations.

Inventory for the Pet Supplies Plus segment is recorded at the lower of cost, determined on the average cost method or net realizable value for store inventories. Pet Supplies Plus includes freight and labor costs on products purchased from its distribution center in cost of products sold. Wholesale inventories are valued at the lower of cost (including freight), determined on the average cost method or net realizable value. Volume-based vendor allowances, rebates, and credits that relate to the Company's store merchandising activities are applied to product cost and recognized in cost of goods sold as the related product is sold.

Inventory for the Badcock segment is comprised of finished goods and is valued at the lower of cost or market value, with cost determined by the first-in, first-out method. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. An obsolescence reserve is estimated based on the amount of inventory on hand, its age, and its condition. Estimates are compared to the actual results of the physical inventory counts as they are taken and adjust the shrink estimates accordingly.

Inventory for American Freight is comprised of finished goods and is valued at the lower of cost or market, with cost determined by the first-in, first-out method. The Company writes down inventory, the impact of which is reflected in cost of sales in the consolidated statements of operations, if the cost of specific inventory items on hand exceeds the amount the Company expects to be realized from the ultimate sale or disposal of the inventory. These estimates are based on management’s judgment regarding future demand and market conditions and analysis of historical experience. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. A provision for estimated shrinkage is maintained based on the actual historical results of physical inventories. Estimates are compared to the actual results of the physical inventory counts as they are taken and adjust the shrink estimates accordingly.

Inventory for the Buddy's segment is recorded at cost, including shipping and handling fees. Upon purchase, merchandise is not initially depreciated until it is leased or three months after the purchase date. Non-leased merchandise is depreciated on a straight-line basis over a period of 24 months. Leased merchandise is depreciated over the lease term of the rental agreement and recorded in rental cost of revenue. On a weekly basis, all damaged, lost, stolen, or unsalable merchandise identified is written off. Maintenance and repairs of lease merchandise are charged to operations as incurred.

Receivables and Allowance for Doubtful Accounts. Notes receivable are due from the Company's franchisees and are collateralized by the underlying franchise. The debtors' ability to repay the notes is dependent upon both the performance of the franchisee's industry as a whole and the individual franchise. The adequacy of the allowance for doubtful accounts is assessed on a quarterly basis and adjusted as deemed necessary. Management believes the recorded allowance is adequate based upon its consideration of the estimated value of the franchises, which collateralize the receivables. Any adverse change in the individual franchisees' areas could affect the Company's estimate of the allowance.

Goodwill and Non-amortizing Intangible Assets. Goodwill and non-amortizing intangible assets (Tradenames), including the segments' tradenames, are not amortized, but rather tested for impairment at least annually. In addition, goodwill and non-

amortizing intangible assets will be tested on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has been incurred. The Company performs a qualitative and/or quantitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then estimates the fair value. The Company uses either a market multiple method or a discounted cash flow method to estimate the fair value of its reporting units and recognizes goodwill impairment for any excess of the carrying amount of a reporting unit's goodwill over its estimated fair value. The Company evaluates the segments' tradenames for impairment by comparing the fair value, based on an income approach using the relief-from-royalty method, to the carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. The Company's reporting units are determined in accordance with the provisions of ASC 350, "Intangibles - Goodwill and Other." The Company performs its annual impairment testing of goodwill and non-amortizing intangible assets on the last day of the first month of the Company's third quarter. Refer to "Note 6 - Goodwill and Intangible Assets" for additional information on these balances.

Intangible Assets and Asset Impairment. Components of intangible assets consist of customer contracts, franchise and dealer agreements, and proprietary content. Amortization of intangible assets is calculated using the straight-line method over the estimated useful lives of the assets. Amortization of intangible assets is generally two to ten years. Purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. Recognition and measurement of a potential impairment is performed for these assets at the lowest level where cash flows are individually identifiable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Property, Plant, and Equipment. Property, plant, and equipment are stated at cost less accumulated depreciation and amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, generally seven years for land and land improvements, twenty to thirty years for buildings, and seven, fifteen, or thirty-nine years for building improvements. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. Furniture, fixtures, and equipment are amortized five to ten years, which includes machinery (amortized for seven years) and computer equipment (amortized three to five years). Certain allowable costs of software acquired, developed, or obtained for internal use are capitalized and typically amortized over the estimated useful life of the software. Software also includes educational materials, which is amortized two to five years.

Insurance Programs. The Company maintains its own insurance arrangements with third-party insurance companies for exposures incurred for a number of risks including worker's compensation and general liability claims. The liability represents an estimate of the discounted cost of claims incurred and is recorded in other current and long-term liabilities. The Company may use restricted cash as collateral for these programs which is recorded in "Other non-current assets".

Employee Compensation and Benefits. The Company records the cost of its employee compensation and benefits as compensation expense in SG&A within its consolidated statements of operations. For the year ended December 25, 2021, total employee compensation and expense was $494.9 million. Accrued compensation and benefits is recorded within accounts payable and accrued expenses within the consolidated balance sheet and totaled $63.4 million as of December 25, 2021.

Stock-Based Compensation. The Company records the cost of its employee stock-based compensation as compensation expense in its consolidated statements of operations. Compensation costs related to stock options are based on the grant-date fair value of awards using the Black-Scholes-Merton option pricing model and considering forfeitures. Compensation costs related to restricted stock units are based on the grant-date fair value and are amortized on a straight-line basis over the vesting period. The Company recognizes compensation costs for an award that has a graded vesting schedule on a straight-line basis over the

requisite service period for the entire award. Compensation costs related to market-based restricted stock units are based on the grant-date fair value of the awards using a Monte Carlo simulation valuation model to calculate grant date fair value. Compensation expense is recognized over the requisite service period using the proportionate amount of the award's fair value that has been earned through service to date.

Revenue Recognition. The following is a description of the principal activities from which the Company generates its revenues. For more detailed information regarding reportable segments, see "Note 7 - Revenue."

- Product revenues: These include sales of merchandise at the stores and online. Revenue is measured based on the amount of fixed consideration that the Company expects to receive, reduced by estimates for variable consideration such as returns. Revenue also excludes any amounts collected from customers and remitted or payable to governmental authorities. In arrangements where the Company has multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. The Company satisfies its performance obligations at the point of sale for retail store transactions and upon delivery for online transactions. The Company recognizes revenue for retail store and online transactions when it transfers control of the goods to the customer. Merchandise sales also include payments received for the exercise of the early purchase option offered through rental-purchase agreements or merchandise sold through point of sale transactions. Revenue for merchandise sales associated with rental purchase agreements is recognized when payment is received, and ownership of the merchandise passes to the customer.

- Service and other revenues: These may include the following:
  - Franchise fees;
  - Royalties and advertising fees;
  - Financing revenue;
  - Warranty and damage revenue;
  - Interest income;
  - Services and extended-service plans; and
  - Other miscellaneous income.

  Commissions earned on services and financing revenue are presented net of related costs because the Company is acting as an agent in arranging the services for the customer and does not control the services being rendered. The Company recognizes revenue on the commissions on extended-service plans when it transfers control of the related goods to the customer. The Company recognizes franchise fee revenue for the sales of individual territories on a straight-line basis over the initial contract term and renewal periods when the obligations of the Company to prepare the franchisee for operation are substantially complete, not to exceed the estimated amount of cash to be received. Royalties and advertising fees are recognized as franchisees generate sales.

- Rental revenue: The Company provides merchandise, consisting of consumer electronics, computers, residential furniture, appliances, and household accessories to its customers pursuant to rental-purchase agreements which provide for weekly, semi-monthly or monthly non-refundable rental payments. The average rental term is twelve to eighteen months and the Company maintains ownership of the lease merchandise until all payment obligations are satisfied under sales and lease ownership agreements. Customers have the option to purchase the leased goods at any point in the lease term. Customers can terminate the agreement at the end of any rental term without penalty. Therefore, rental transactions are accounted for as operating leases and rental revenue is recognized over the rental term. Cash received prior to the beginning of the lease term is recorded as deferred revenue. Revenue related to various reinstatement or late fees are recognized when paid by the customer. The Company offers additional product plans along with rental agreements that provide customers with liability protection against significant damage or loss of a product, and club membership benefits, including various discount programs, product services and replacement benefits in the event merchandise is damaged or lost. Customers renew product plans in conjunction with their rental term renewals and can cancel the plans at any time. Revenue for product plans is recognized over the term of the plan.

Leases. The Company's lease portfolio primarily consists of leases for its retail store locations, office space and distribution centers, as well as in the operation of certain of our dealer-owned stores. The Company also leases tractors and trucks used in its Badcock segment, local delivery trucks used in its American Freight segment, and leases certain office equipment under finance leases. The finance lease right of use assets are included in property, plant, and equipment ("PP&E") and the finance lease liabilities are included in current installments of long-term obligations. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Operating leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets, and the Company recognizes rent expense for these leases on a straight-line basis over the lease term. For leases with an initial term in excess of 12 months, lease right-of-use assets and lease liabilities are recognized based on the present value of the future lease payments over the committed lease term at the lease commencement date. The Company's leases do not provide an implicit rate; therefore, the Company uses its incremental borrowing rate and the information available at the lease commencement date in determining the present value of future lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. Most leases include one or more options to renew and the exercise of renewal options is at the Company's sole discretion. The Company does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. For leases where the Company is a lessor, rent income and related operating lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company uses the long-lived assets impairment guidance in ASC 360-10, "Property, Plant, and Equipment - Overall," to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company subleases some of its real estate leases. Our lessor and sublease portfolio primarily consists of stores within our Badcock segment that have been leased to dealers. For these leases, which are all classified as operating leases, we account for the lease and non-lease components as one lease component, as discussed above. For operating leases, lease costs are recorded within selling, general, and administrative expenses ("SG&A") within the consolidated statements of operations as follows: (1) rental expense related to leases for Company-owned stores (2) rental expense for leased properties that are subsequently subleased to dealers, and (3) rental income from sublease agreements with dealers. For finance leases where the Company is the lessee, lease cost includes the amortization of the right-of-use ("ROU") asset, which is amortized on a straight-line basis and recorded to "SG&A" and interest expense on the finance lease liabilities is recorded to "Interest expense, net." Finance lease ROU assets are amortized over the shorter of their estimated useful lives or the terms of the respective leases.

The Company has lease agreements with lease and non-lease components, which the Company elects to combine as one lease component for all classes of underlying assets. Non-lease components include variable costs based on actual costs incurred by the lessor related to the payment of real estate taxes, common area maintenance, and insurance. These variable payments are expensed as incurred as variable lease costs.

Fair Value of Financial Instruments. As required, financial assets and liabilities are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The carrying value of Cash and cash equivalents, restricted cash, accounts receivable and accounts payable as reported in the accompanying unaudited consolidated balance sheets approximate fair value due to their short-term maturities. The carrying amount of Long-term debt approximates fair value because the interest rate paid has a variable component. The fair value for the Company's Investment in equity securities for which it does not have the ability to exercise significant influence is based on quoted prices in active markets.

Deferred Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities, which are recorded within "Other non-current assets" and "Other non-current liabilities" within the consolidated balance sheets, are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured

using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has elected to classify interest charged on a tax settlement in interest expense, and accrued penalties, if any, in selling, general, and administrative expenses.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. The Company records unrecognized tax benefit liabilities for known or anticipated tax issues based on an analysis of whether, and the extent to which, additional taxes will be due.

Reclassifications. Certain prior year amounts have been reclassified to conform to the current year presentation. The Company reclassified "Intangible assets, net" to segregate "Tradenames" in the consolidated balance sheet statement due to significance. There was no impact on total assets.

Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "*Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*", which changes how companies will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost (which generally will result in the earlier recognition of allowances for losses) and requires companies to record allowances for available-for-sale debt securities, rather than reduce the carrying amount. In addition, companies will have to disclose significantly more information, including information used to track credit quality by year of origination, for most financing receivables. The ASU should be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the standard is effective. The ASU is effective for the Company for the 2023 fiscal year. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" This standard eliminates Step 2 from the goodwill impairment test. Instead, an entity should compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The ASU is effective for the Company for the 2023 fiscal year. The Company is currently evaluating the impact of the adoption of this standard to its consolidated financial statements.

The London Interbank Offered Rate ("LIBOR") is scheduled to be discontinued on June 30, 2023. In an effort to address the various challenges created by such discontinuance, the FASB issued an amendment to existing guidance, ASU No. 2020-04, "*Reference Rate Reform*." The amended guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, borrowings) necessitated by the reference rate reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by the reference rate reform. Application of the guidance in the amendment is optional, is only available in certain situations, and is only available for companies to apply until December 31, 2022. The Company expects to adopt the guidance and begin transitioning from LIBOR to alternative reference rates in the first quarter of fiscal 2023. The Company does not expect adoption and transition to alternative reference rates to have a material impact on its consolidated financial statements.

Effective as of May 1, 2019, the Company has adopted ASU No. 2016-02, "*Leases (Topic 842)*". The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Company has adopted utilizing the transition election to

not restate comparative periods for the impact of adopting the standard and recognizing the cumulative impact of adoption in the opening balance of retained earnings.

(2) Acquisitions

The Company continually looks to diversify and grow its portfolio of brands through acquisitions. On March 10, 2021, the Company completed its acquisition of Pet Supplies Plus, on September 27, 2021, the Company completed its acquisition of Sylvan Learning ("Sylvan"), and on November 22, 2021, the Company completed its acquisition of Badcock. For a complete description of the Company's accounting policy regarding acquisitions, see "Note 1 – Organization and Significant Accounting Policies".

Badcock Acquisition

On November 22, 2021, the Company completed its acquisition (the "Badcock Acquisition") of Badcock Home Furniture and More. The preliminary fair value of the consideration transferred at the acquisition date was $545.8 million. As of December 25, 2021, $5.9 million of acquisition fees had been incurred that are recorded in selling, general and administrative expenses.

The table below summarizes the preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Badcock Acquisition on November 22, 2021. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values or bargain purchase gain presented below. As of February 23, 2022, the fair value of certain working capital accounts, leases and PP&E are preliminary estimates and are subject to revisions. The Company expects to complete the purchase price allocation as soon as reasonably possible but not to exceed one year from the date of completion of the Badcock Acquisition.

(In thousands)	Preliminary November 22, 2021
Cash and cash equivalents	$ 23,413
Inventories	130,045
Accounts receivable	411,268
Other current assets	5,023
Property, plant, and equipment	233,938
Operating lease right-of-use assets	51,669
Other non-current assets	2,506
Total assets	857,862
Current operating lease liabilities	12,070
Accounts payable and accrued expenses	71,436
Other current liabilities	18,942
Current installments of long-term obligations	5,261
Long-term obligations, excluding current installments	7,247
Non-current operating lease liabilities	39,599
Other long-term liabilities	25,424
Total liabilities	179,979
Bargain purchase gain	(132,043)
Consideration transferred	$ 545,840

Operating lease right-of-use assets and lease liabilities of $51.7 million, consist of leases for retail store locations, warehouses and office equipment.

Property, plant and equipment consists of fixtures and equipment of $93.0 million, buildings and building improvements of $93.1 million, land and land improvements of $33.4 million, leasehold improvements of $23.7 million, and construction in progress of $1.4 million.

As a result of the Badcock Acquisition, the excess of the aggregate net fair value of assets acquired and liabilities assumed over the fair value of consideration transferred as the purchase price has been recorded as a bargain purchase gain of $132.0 million. The gain is recorded in "Bargain purchase gain" in the consolidated statements of operations. The Company believes the seller in the Badcock Acquisition was willing to accept a bargain purchase price in return for the Company's ability to act more quickly, partially due to the Company's access to capital to complete the transaction, and with greater certainty than any other prospective acquirer. Additionally, the Company believes the seller was motivated to complete the transaction as part of an overall repositioning of its business. Upon completion of this reassessment, the Company concluded that recording a bargain purchase gain with respect to the Badcock Acquisition was appropriate and required under GAAP. The tax impact related to the bargain purchase gain was non-taxable and impacted the Company's effective tax rate for the period.

Sylvan Acquisition

On September 27, 2021, the Company completed its acquisition of Sylvan (the "Sylvan Acquisition"). The preliminary fair value of the consideration transferred at the acquisition date was $82.9 million. As of December 25, 2021, $1.8 million of acquisition fees had been incurred that are recorded in selling, general and administrative expenses.

The table below summarizes the preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Sylvan Acquisition on September 27, 2021. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values presented below. The Company expects to complete the purchase price allocation as soon as reasonably possible but not to exceed one year from the date of completion of the Sylvan Acquisition.

(In thousands)	Preliminary September 27, 2021
Cash and cash equivalents	$ 4,364
Other current assets	3,592
Property, plant, and equipment	26,324
Goodwill	19,456
Tradenames	24,987
Operating lease right-of-use assets	2,874
Other intangible assets	19,412
Other non-current assets	185
Total assets	101,194
Current operating lease liabilities	891
Accounts payable and accrued expenses	6,072
Non-current operating lease liabilities	1,984
Other long-term liabilities	9,320
Total liabilities	18,267
Consideration transferred	$ 82,927

Other intangible assets consists of the franchise agreements of $18.3 million and proprietary content of $1.1 million.

Property, plant and equipment consists of fixtures and equipment of $0.3 million, leasehold improvements of $0.7 million, and software and electronic content of $25.3 million.

Pet Supplies Plus Acquisition

On March 10, 2021, the Company completed its acquisition of Pet Supplies Plus (the "Pet Supplies Plus Acquisition"). The preliminary fair value of the consideration transferred at the acquisition date was $451.1 million. As of December 25, 2021, $5.5 million of acquisition fees had been incurred that are recorded in selling, general and administrative expenses.

The table below summarizes the preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Pet Supplies Plus Acquisition on March 10, 2021. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values presented below. Subsequent to the acquisition, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were adjusted, which resulted in an increase in goodwill of $0.2 million. The increase was primarily due to $0.3 million of accrued taxes and $1.3 million of net working capital true-up netted with an increase of tenant improvement allowances of $1.7 million. The Company expects to complete the purchase price allocation as soon as reasonably possible but not to exceed one year from the date of completion of the Pet Supplies Plus Acquisition.

(In thousands)	Preliminary March 10, 2021
Cash and cash equivalents	$ 2,131
Other current assets	39,844
Inventories	118,600
Property, plant, and equipment	75,616
Goodwill	335,876
Operating lease right-of-use assets	151,243
Tradenames	104,400
Other intangible assets	101,400
Other non-current assets	6,393
Total assets	935,503
Current operating lease liabilities	25,405
Accounts payable and accrued expenses	82,237
Other current liabilities	1,725
Current installments of long-term obligations	3,507
Long-term obligations, excluding current installments	247,458
Non-current operating lease liabilities	114,292
Other long-term liabilities	9,761
Total liabilities	484,385
Consideration transferred	$ 451,118

Other intangible assets consists of franchise agreements of $67.1 million and customer relationships of $34.3 million.

Operating lease right-of-use assets and lease liabilities consist of leases for retail store locations, warehouses and office equipment. Operating lease right-of-use assets incorporates a favorable adjustment of $12.4 million, net for favorable and unfavorable Pet Supplies Plus real estate leases (as compared to prevailing market rates) which will be amortized over the remaining lease terms.

Property, plant, and equipment consists of fixtures and equipment of $37.0 million, leasehold improvements of $33.5 million, construction in progress of $3.5 million and financing leases of $1.7 million.

Other non-current assets includes $0.4 million of restricted cash.

Furniture Factory Outlet Acquisition

On December 27, 2020, the Company completed the acquisition (the "FFO Home Acquisition") of FFO Home, a regional retailer of furniture and mattresses, for an all cash purchase price of $13.8 million. In the twelve months ended December 25, 2021, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were adjusted, which resulted in a decrease in goodwill of $0.3 million and a corresponding $0.3 million increase of property, plant, and equipment. The Company acquired 31 operating locations which were rebranded as American Freight stores and included in its American Freight segment. As of December 25, 2021, $0.4 million of acquisition fees had been incurred that are recorded in selling, general and administrative expenses.

(In thousands)	Preliminary December 27, 2020
Cash and cash equivalents	$ 6
Other current assets	96
Inventories	6,450
Property, plant, and equipment	3,280
Goodwill	2,947
Operating lease right-of-use assets	26,571
Total assets	39,350
Current operating lease liabilities	2,587
Other current liabilities	299
Non-current operating lease liabilities	22,624
Total liabilities	25,510
Consideration transferred	$ 13,840

Operating lease right-of-use assets and lease liabilities consist of leases for retail store locations. Operating lease right-of-use assets incorporates a favorable adjustment of $1.4 million, net for favorable and unfavorable FFO Home leases (as compared to prevailing market rates) which will be amortized over the remaining lease terms.

The property, plant, and equipment consists of leasehold improvements of $2.5 million and fixtures and equipment of $0.8 million.

Pro forma financial information

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the Badcock Acquisition, the Sylvan Acquisition, the Pet Supplies Plus Acquisition, the FFO Home Acquisition, the American Freight Acquisition, the Vitamin Shoppe Acquisition, the Sears Outlet Acquisition, the Buddy's Acquisition, the A-Team Leasing Acquisition and the Buddy's Partners Acquisition as if they had occurred on May 1, 2018.

	(Unaudited)	
(In thousands)	Fiscal Year Ended 12/25/2021	Fiscal Year Ended 12/26/2020
Revenue	$ 4,282,329	$ 3,849,583
Net income (loss) from continuing operations	184,574	92,954
Basic net income per share - continuing operations	4.59	2.69
Diluted net income per share - continuing operations	4.51	2.66

These unaudited pro forma results include adjustments such as inventory step-up, amortization of acquired intangible assets, depreciation of acquired property, plant, and equipment and interest expense on debt financing in connection with the Acquisitions. Material, nonrecurring pro forma adjustments directly attributable to the Acquisitions include the following. Acquired inventory step-up to its fair value of $7.1 million was removed from net income for the year ended December 25, 2021 and recognized as an incremental product cost in the year ended December 26, 2020, and acquisition related costs of $11.3 million were removed from net income for the year ended December 25, 2021 and recognized as an expense in the year ended December 26, 2020.

The unaudited consolidated pro forma financial information was prepared in accordance with accounting standards and is not necessarily indicative of the results of operations that would have occurred if the Acquisitions had been completed on the dates indicated, nor is it indicative of the future operating results of the Company.

The unaudited pro forma results do not reflect events that either have occurred or may occur after these Acquisitions, including, but not limited to, the anticipated realization of operating synergies in subsequent periods. They also do not give effect to certain charges that the Company expects to incur in connection with these Acquisitions, including, but not limited to, additional professional fees and employee integration.

(3) Discontinued Operations

On February 21, 2021, the Company and NextPoint entered into the Purchase Agreement to sell its Liberty Tax business to NextPoint. In connection with the Purchase Agreement, the parties entered into a transition services agreement pursuant to which both parties agreed to provide certain transition services to each other for a period not to exceed twelve months. On July 2, 2021, the Company completed the transaction and received total consideration of approximately $255.3 million, consisting of approximately $181.2 million in cash and approximately $74.1 million in proportionate voting shares of NextPoint recorded as an investment in equity securities in "Investment in equity securities" on the Consolidated Balance Sheet. The transaction resulted in a gain on the sale of $188.1 million recorded in "Income (loss) from discontinued operations, net of tax" on the Consolidated Statement of Operations. The total unrealized loss on the investment in NextPoint was $31.8 million, recorded in "Other" on the consolidated statement of operations. During the three months ended December 25, 2021, a correction to the calculation of the share-based component of the purchase price resulted in an additional $14.3 million recognized on the gain on the sale of the Liberty Tax business. As part of the divestiture, the Company incurred transaction costs of approximately $7.1 million which were paid using shares of NextPoint. As a result of the transaction, the financial position and results of operations of the Liberty Tax business are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented.

The following is a summary of the major categories of assets and liabilities for the Liberty Tax business. The balances for all periods prior to the sale are included in assets and liabilities held for sale in the Consolidated Balance Sheet.

(In thousands)	December 25, 2021	December 26, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ —	$ 2,722
Current receivables, net	—	33,525
Other current assets	—	6,776
Total current assets held for sale	—	43,023
Property, plant, and equipment, net	—	7,634
Non-current receivables, net	—	3,889
Goodwill	—	8,719
Intangible assets, net	—	24,804
Operating lease right-of-use assets	—	8,771
Other non-current assets	—	1,299
Total assets held for sale	$ —	$ 98,139
Liabilities		
Current liabilities:		
Current installments of long-term obligations	$ —	$ 1,335
Current operating lease liabilities	—	4,658
Accounts payable and accrued expenses	—	20,200
Other current liabilities	—	14,383
Total current liabilities held for sale	—	40,576
Long-term obligations, excluding current installments	—	1,711
Non-current operating lease liabilities	—	4,738
Other non-current liabilities	—	2,330
Total liabilities held for sale	$ —	$ 49,355

The following is a Consolidated Statement of Operations for the Liberty Tax business. The amounts for all periods are included in "Income (loss) from discontinued operations, net of tax" in the Consolidated Statements of Operations.

(In thousands)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period 5/1/2019- 12/28/2019	Period from 5/1/2018- 12/29/2018	Twelve Months Ended 4/30/2019
Revenue	$ 107,486	$ 122,777	$ 14,984	$ 16,647	$ 132,546
Selling, general, and administrative expenses	66,042	99,166	77,562	77,612	133,405
Income from operations	41,444	23,611	(62,578)	(60,965)	(859)
Other expense:					
Other	188,256	107	37	(12)	(113)
Interest expense, net	(3)	(4,977)	(2,351)	(1,802)	(3,023)
Income before income taxes	229,697	18,741	(64,892)	(62,779)	(3,995)
Income tax expense	57,875	2,531	(1,868)	(19,726)	(1,839)
Net Income	171,822	16,210	(63,024)	(43,053)	(2,156)
Less: Net (income) attributable to non-controlling interest	—	(11,791)	17,211	—	—
Net income attributable to discontinued operations	$ 171,822	$ 4,419	$ (45,813)	$ (43,053)	$ (2,156)

The Company applied the "Intraperiod Tax Allocation" rules under ASC 740 "Income Taxes", which requires the allocation of an entity's total income tax provision among continuing operations and, in the Company's case, discontinued operations.

The following is the operating and investing activities for the Liberty Tax business. These amounts are included in the Company's Consolidated Statements of Cash Flows.

(In thousands)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period 12/28/2019	Period from 5/1/2018- 12/29/2018	Twelve Months Ended 4/30/2019
Cash flows provided by operating activities from discontinued operations	$ 39,334	$ 52,185	$ (21,477)	$ (51,774)	$ 17,129
Cash flows provided by investing activities from discontinued operations	173,633	6,259	(26,004)	(28,215)	(2,666)

(4) Notes and Accounts Receivable

Current and non-current receivables, as of December 25, 2021 and December 26, 2020 are presented in the consolidated balance sheets as follows:

(In thousands)	12/25/2021	12/26/2020
Accounts receivable	$ 86,087	$ 38,444
Notes receivable	1,681	15,440
Interest receivable	54	84
Income tax receivable	32,448	13,650
Allowance for doubtful accounts	(1,572)	(283)
Current receivables, net	118,698	67,335
Notes receivable - non-current	12,183	12,800
Allowance for doubtful accounts - non-current	(428)	—
Non-current receivables, net	11,755	12,800
Total receivables	$ 130,453	$ 80,135

Notes receivable are due from the Company's franchisees and are collateralized by the underlying franchise. The debtors' ability to repay the notes is dependent upon both the performance of the franchisee's industry as a whole and the individual franchise.

Allowance for Doubtful Accounts

The adequacy of the allowance for doubtful accounts is assessed on a quarterly basis and adjusted as deemed necessary. Management believes the recorded allowance is adequate based upon its consideration of the estimated value of the franchises, which collateralize the receivables. Any adverse change in the individual franchisees' areas could affect the Company's estimate of the allowance.

Activity in the allowance for doubtful accounts for the years ended December 25, 2021 and December 26, 2020 was as follows:

(In thousands)	12/25/2021	12/26/2020
Balance at beginning of year	$ 283	$ —
Provision for doubtful accounts	1,720	283
Payments received against previous write-offs	(2)	—
Write-offs and reduction from repurchases of franchises	(1)	—
Balance at end of year	$ 2,000	$ 283

Analysis of Past Due Receivables

The breakdown of accounts and notes receivable past due at December 25, 2021 and December 26, 2020 was as follows:

	12/25/2021			
(In thousands)	**Past due**	**Current**	**Interest receivable**	**Total receivables**
Accounts receivable	$ 7,966	$ 78,121	$ —	$ 86,087
Notes and interest receivable	452	13,412	54	13,918
Total accounts, notes, and interest receivable	$ 8,418	$ 91,533	$ 54	$ 100,005

	12/26/2020			
(In thousands)	**Past due**	**Current**	**Interest receivable**	**Total receivables**
Accounts receivable	$ 505	$ 37,939	$ —	$ 38,444
Notes and interest receivable	—	28,240	84	28,324
Total accounts, notes, and interest receivable	$ 505	$ 66,179	$ 84	$ 66,768

Secured Borrowing Accounting

On December 20, 2021, Badcock entered into a Master Receivables Purchase Agreement (“Receivables Purchase Agreement”) with B. Riley Receivables, LLC (the "Purchaser") and consummated the sale to the Purchaser of the existing consumer credit receivables portfolio of Badcock as of December 15, 2021 for a purchase price of $400.0 million in cash. In connection with the Receivables Purchase Agreement, Badcock entered into a Servicing Agreement (the “Servicing Agreement”) with the Purchaser pursuant to which Badcock will provide to the Purchaser certain customary servicing and account management services in respect of the receivables purchased by the Purchaser under the Receivables Purchase Agreement.

As a result of the transaction, the Company's Badcock segment sold beneficial interests in revolving lines of credit that it originated. The sales are accounted for as secured borrowings on our Consolidated Balance Sheets with both assets and non-recourse liabilities because the sales do not qualify as a sale under ASC 860 - *"Transfers and Servicing,"* although the underlying receivables are deemed to be legally sold. The income earned on the securitized revolving lines of credit is recorded as interest income in "service and other revenues" and the accretion of the securitized debt recorded in "Interest expense, net" on the consolidated statements of operations.

Current securitized receivables, net includes $476.1 million of securitized receivables and an amortized discount of $106.5 million. Non-current securitized receivables, net includes $60.9 million of securitized receivables and an amortized discount of $13.6 million.

(5) Property, Plant, and Equipment, Net

Property, plant, and equipment at December 25, 2021, and December 26, 2020 was as follows:

(In thousands)	12/25/2021	12/26/2020
Land and land improvements	$ 36,306	$ —
Buildings and building improvements	176,188	—
Leasehold improvements	115,539	67,114
Furniture, fixtures, and equipment	117,973	66,885
Software	97,427	44,250
Construction in progress	4,388	3,578
Finance lease asset	6,148	1,913
Property, plant, and equipment, gross	553,969	183,740
Less accumulated depreciation and amortization	104,083	47,868
Property, plant, and equipment, net	$ 449,886	$ 135,872

Total depreciation and amortization expense on property, plant, and equipment was $56.0 million, $47.6 million, $2.1 million and $0.0 million for the years ended December 25, 2021, December 26, 2020, the Transition Period, and the year ended April 30, 2019, respectively.

(6) Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the years ended December 25, 2021 and December 26, 2020 were as follows:

(In thousands)	Vitamin Shoppe	Pet Supplies	American Freight	Buddy's	Sylvan	Total
Balance as of December 28, 2019	$ 4,951	$ —	$ 31,028	$ 88,542	$ —	$ 124,521
Acquisitions	—	—	336,854	—	—	336,854
Disposals and purchase accounting adjustments	(3,674)	—	—	(9,443)	—	(13,117)
Balance as of December 26, 2020	$ 1,277	$ —	$ 367,882	$ 79,099	$ —	$ 448,258
Acquisitions	—	335,875	3,293	—	19,456	358,624
Disposals and purchase accounting adjustments	—	—	(346)	—	—	(346)
Balance as of December 25, 2021	$ 1,277	$ 335,875	$ 370,829	$ 79,099	$ 19,456	$ 806,536

The Company performed its annual impairment test of goodwill as of July 25, 2021. No impairment has been recorded for any of the reporting units.

Components of intangible assets as of December 25, 2021 and December 26, 2020, were as follows:

(In thousands)	12/25/2021						
Tradenames	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Total
Gross carrying amount	$ 12,000	$ 104,400	$ —	$ 70,200	$ 11,100	$ 24,987	$ 222,687
Accumulated Amortization	—	—	—	—	—	—	—
Net carrying amount	12,000	104,400	—	70,200	11,100	24,987	222,687
Customer contracts							
Gross carrying amount	—	34,300	—	—	8,114	—	42,414
Accumulated Amortization	—	(1,856)	—	—	(3,359)	—	(5,215)
Net carrying amount	—	32,444	—	—	4,755	—	37,199
Franchise and dealer agreements							
Gross carrying amount	—	67,100	—	—	10,500	18,265	95,865
Accumulated Amortization	—	(3,576)	—	—	(2,596)	(399)	(6,571)
Net carrying amount	—	63,524	—	—	7,904	17,866	89,294
Other intangible assets							
Gross carrying amount	—	—	—	44	566	1,226	1,836
Accumulated Amortization	—	—	—	(3)	(319)	(56)	(378)
Net carrying amount	—	—	—	41	247	1,170	1,458
Total intangible assets	$ 12,000	$ 200,368	$ —	$ 70,241	$ 24,006	$ 44,023	$ 350,638

(In thousands)	12/26/2020			
Tradenames	Vitamin Shoppe	American Freight	Buddy's	Total
Gross carrying amount	$ 12,000	$ 70,200	$ 11,100	$ 93,300
Accumulated Amortization	—	—	—	—
Net carrying amount	12,000	70,200	11,100	93,300
Customer contracts				
Gross carrying amount	—	—	8,780	$ 8,780
Accumulated Amortization	—	—	(2,159)	(2,159.00)
Net carrying amount	—	—	6,621	6,621
Franchise and dealer agreements				
Gross carrying amount	—	—	10,500	$ 10,500
Accumulated Amortization	—	—	(1,545)	(1,545.00)
Net carrying amount	—	—	8,955	8,955
Other intangible assets				
Gross carrying amount	—	—	1,478	$ 1,478
Accumulated Amortization	—	—	(462)	(462.00)
Net carrying amount	—	—	1,016	1,016
Total intangible assets	$ 12,000	$ 70,200	$ 27,692	$ 109,892

The Company's tradenames have an indefinite life and their annual impairment test was performed as of July 25, 2021. No impairment has been recorded for any of the reporting units. The Company also reviews amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company did not record impairment expense related to the amortizable intangible assets during the years ended December 25, 2021, December 26, 2020, the Transition Period, or year ended April 30, 2019.

For the years ended December 25, 2021, December 26, 2020, the Transition Period, and year ended April 30, 2019, amortization expense was $8.7 million, $4.6 million, $1.8 million, and $0.0 million respectively. Annual amortization expense for the next five years is estimated to be as follows:

(In thousands)	Estimate for Fiscal Year
2022	$ 10,786
2023	10,750
2024	10,623
2025	9,952
2026	9,206
Thereafter	76,634
Total estimated amortization expense	$ 127,951

(7) Revenue

For details regarding the principal activities from which the Company generates its revenue, see "Note 1 - Organization and Significant Accounting Policies". For more detailed information regarding reportable segments, see "Note 15 - Segments."

The following represents the disaggregated revenue by reportable segments for the years ended December 25, 2021, December 26, 2020, the Transition Period, the period May 1, 2018 through December 29, 2018, and year ended April 30 2019. All revenue for periods prior to the Transition Period was from discontinued operations, see "Note 3. Discontinued Operations".

	Fiscal Year Ended 12/25/2021						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus †	Badcock †	American Freight	Buddy's	Sylvan †	Consolidated
Retail sales	$1,172,462	$ 517,508	$ 67,353	$ 894,905	$ 3,913	$ 8	$2,656,149
Wholesale sales	—	355,377	—	945	—	—	356,322
Total product revenue	1,172,462	872,885	67,353	895,850	3,913	8	3,012,471
Franchise fees	1	623	—	—	84	89	797
Royalties and advertising fees	262	19,538	—	1,287	14,390	8,217	43,694
Financing revenue	—	—	—	41,623	—	—	41,623
Warranty and damage	—	—	5,389	34,786	6,667	—	46,842
Interest income	—	228	25,508	986	—	—	26,722
Other revenues	—	24,165	3,807	14,360	5,725	1,368	49,425
Total service and other revenue	263	44,554	34,704	93,042	26,866	9,674	209,103
Rental revenue, net	—	—	—	—	33,630	—	33,630
Total rental revenue	—	—	—	—	33,630	—	33,630
Total revenue	$1,172,725	$ 917,439	$ 102,057	$ 988,892	$ 64,409	$ 9,682	$3,255,204

† Reflects the results from the March 10, 2021, November 22, 2021, and September 27, 2021 acquisition dates for the Pet Supplies Plus Acquisition, the Badcock Acquisition, and the Sylvan Acquisition, respectively.

	Fiscal Year Ended 12/26/2020						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Consolidated
Retail sales	$1,035,964	$ —	$ —	$ 857,955	$ 5,743	$ —	$1,899,662
Total product revenue	1,035,964	—	—	857,955	5,743	—	1,899,662
Franchise fees	—	—	—	—	99	—	99
Royalties and advertising	—	—	—	—	9,993	—	9,993
Financing revenue	—	—	—	15,977	—	—	15,977
Warranty and damage	—	—	—	16,799	12,668	—	29,467
Interest income	—	—	—	1,288	—	—	1,288
Other revenues	—	—	—	4,412	4,562	—	8,974
Total service and other	—	—	—	38,476	27,322	—	65,798
Rental revenue, net	—	—	—	—	64,267	—	64,267
Total rental revenue	—	—	—	—	64,267	—	64,267
Total revenue	$1,035,964	$ —	$ —	$ 896,431	$ 97,332	$ —	$2,029,727

	Transition Period From 5/1/2019 - 12/28/2019						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Consolidated
Retail sales	$ 30,574	$ —	$ —	$ 64,067	$ 1,498	$ —	$ 96,139
Total product revenue	30,574	—	—	64,067	1,498	—	96,139
Franchise fees	—	—	—	—	160	—	160
Royalties and advertising	—	—	—	—	4,042	—	4,042
Financing revenue	—	—	—	—	—	—	—
Warranty and damage	—	—	—	2,734	4,937	—	7,671
Interest income	—	—	—	267	—	—	267
Other revenues	—	—	—	1,162	1,449	—	2,611
Total service and other revenue	—	—	—	4,163	10,588	—	14,751
Rental revenue, net	—	—	—	—	23,636	—	23,636
Total rental revenue	—	—	—	—	23,636	—	23,636
Total revenue	$ 30,574	$ —	$ —	$ 68,230	$ 35,722	$ —	$ 134,526

Contract Balances

The following table provides information about receivables and contract liabilities (deferred revenue) from contracts with customers as of December 25, 2021 and December 26, 2020:

(In thousands)	12/25/2021	12/26/2020
Accounts receivable	$ 86,087	$ 38,444
Notes receivable	13,864	28,240
Customer deposits	$ 37,626	$ 18,065
Gift cards and loyalty programs	7,604	4,221
Deferred franchise fee revenue	16,984	827
Other deferred revenue	8,400	2,503
Total deferred revenue	$ 70,614	$ 25,616

Anticipated Future Recognition of Deferred Revenue

The following table reflects when deferred revenue is expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the period:

(In thousands)	Estimate for Fiscal Year
2022	$ 49,038
2023	3,165
2024	2,780
2025	1,787
2026	1,624
Thereafter	12,220
Total	$ 70,614

(8) Leases

See "Leases" under "Note 1 - Organization and Significant Accounting Policies" for a discussion of our accounting policies. The finance lease right of use assets and lease liabilities are included in PP&E, current installments of long-term debt and long-term debt respectively. These lease are immaterial to the financial statements.

Company as Lessee

The components of lease costs for leases that were recognized in the accompanying consolidated statement of operations for the years ended December 25, 2021 and December 26, 2020 were as follows:

(In thousands)	12/25/2021	12/26/2020
Operating lease cost	$ 212,837	$ 94,387
Short-term operating lease costs	2,261	2,495
Variable operating lease costs	35,367	14,137
Sublease income	(1,753)	(868)
Total operating lease cost	248,712	110,151

As of December 25, 2021, maturities of lease liabilities were as follows:

(In thousands)	Operating leases
2022	$ 225,395
2023	199,063
2024	155,360
2025	112,046
2026	80,557
Thereafter	116,313
Total undiscounted lease payments	888,734
Less interest	158,562
Present value of lease liabilities	$ 730,172

The following represents other information pertaining to the Company's lease arrangements for the year ended December 25, 2021:

(In thousands)	Operating	
	December 25, 2021	December 26, 2020
Right-of-use assets obtained in exchange for lease obligations[(1)]	$ 153,538	$ 157,007
Cash paid for amounts included in the measurement of lease liabilities	191,827	87,399
Weighted average remaining lease terms (years)	4.9	4.7
Weighted average discount rates	9.03 %	11.17 %

(1) As of December 25, 2021, the majority of the lease liabilities arising from right-of-use assets were a result of the Pet Supplies Plus Acquisition. As of December 26, 2020, the majority of the lease liabilities arising from right-of-use assets were a result of the American Freight Acquisition.

Company as Lessor

Total rental income for the years ended December 25, 2021 and December 26, 2020 were $0.9 million and $0. Total rental income includes sublease income of $0.7 million and $0 recognized during 2021 and 2020, respectively.

The Company subleases some of its Badcock segment's leased locations to certain dealers for operation as Badcock stores. The terms of these leases generally match those of the lease the Company has with the lessor. The following table illustrates the Company's maturity analysis of lease payments to be received for non-cancelable operating leases and subleases as of December 25, 2021:

(In thousands)	Operating Leases	
Fiscal Year:	Subleases	Owned Properties
2022	$ 6,841	$ 1,937
2023	5,938	1,817
2024	4,461	1,721
2025	3,536	1,519
2026	2,560	1,391
Thereafter	1,791	2,533
Total future minimum receipts	$ 25,127	$ 10,918

Our Vitamin Shoppe, Pet Supplies Plus, and American Freight segments have subleases but the lease payments on those locations are immaterial to the financial statements.

Properties owned by the Company and leased to dealers and other third parties under operating leases include:

(In thousands)	December 25, 2021	December 26, 2020
Buildings and improvements	$ 34,172	$ —
Total properties owned and leased by the Company	34,172	$ —
Accumulated depreciation	(88)	$ —
Total properties owned and leased by the Company, net	$ 34,084	$ —

(9) Long-Term Obligations

Long-term obligations as of December 25, 2021 and December 26, 2020 were as follows:

(In thousands)	12/25/2021	12/26/2020
Revolving credit facilities	$ 20,000	$ 78,310
Term loan, net of debt issuance costs	1,435,928	491,836
Debt securitized by accounts receivable, net of discount	407,502	—
Finance lease liabilities	6,465	851
Total long-term obligations	1,869,895	570,997
Less current installments	486,170	104,053
Total long-term obligations, excluding current installments	$ 1,383,725	$ 466,944

First Lien Credit Agreement and Term Loan

On March 10, 2021 (the "PSP Closing Date"), the Company entered into a First Lien Credit Agreement (the "First Lien Credit Agreement") with various lenders that provides for a $1,000.0 million senior secured term loan (the "First Lien Term Loan").

The Company's obligations under the First Lien Credit Agreement are guaranteed by the Company and each of the Company's other direct and indirect subsidiaries (other than certain excluded subsidiaries) pursuant to a First Lien Guarantee Agreement (the "First Lien Guarantee Agreement") and are required to be guaranteed by each of the Company's direct and indirect subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the PSP Closing Date. The obligations of the Company under the First Lien Credit Agreement are secured on a first priority basis by substantially all of the assets and are secured on a second priority basis by credit card receivables, accounts receivable, deposit accounts, securities accounts, commodity accounts, inventory and goods (other than equipment) of the Company, and in each case are required to be secured by such assets of the Company (other than certain excluded subsidiaries) that may be formed or acquired after the PSP Closing Date.

The proceeds of the First Lien Term Loan, together with the proceeds of the Second Lien Term Loan (as defined below) and certain cash on hand of the Company, were used to consummate the Pet Supplies Plus Acquisition and to pay fees and expenses for certain related transactions, including the entry into the ABL Agreement (as defined below). A portion of the First Lien Term Loan and Second Lien Term Loan were also used to repay existing lenders.

The First Lien Term Loan will mature on March 10, 2026 and bears interest at a variable rate with a floor of 5.50%. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter. The Company is required to repay the First Lien Term Loan in equal quarterly installments of $2.5 million on the last day of each calendar quarter, commencing on June 30, 2021 subject to certain early payment requirements based on certain events. On July 2, 2021, the Company repaid $182.1 million of principal of the First Lien Term Loan using cash proceeds from the sale of the Liberty Tax business. The payment also satisfied the requirements for the quarterly principal payments so no additional principal payments are due until the First Term Loan maturity date. The early repayment resulted in additional interest expense of $6.1 million for the write-off of deferred financing costs.

The First Lien Credit Agreement, the First Lien Collateral Agreement and the First Lien Guarantee Agreement collectively include customary affirmative, negative, and financial covenants binding on the Company, including delivery of financial statements and other reports. The negative covenants limit the ability of the Company to, among other things, incur debt, incur liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. The financial covenants set forth in the First Lien Credit Agreement include a maximum total leverage ratio (net of certain cash) and a minimum fixed charge coverage ratio to be tested at the end of each fiscal quarter commencing with the first full fiscal quarter ending after the PSP Closing Date.

In addition, the First Lien Credit Agreement includes customary events of default, the occurrence of which may require the Company to pay an additional 2.00% interest on the First Lien Term Loan and/or may result in, among other consequences, acceleration of the payment obligations with respect to the First Lien Term Loan, calling on the guarantees, or exercise of remedies with respect to the collateral.

Second Lien Credit Agreement and Second Lien Term Loan

On the PSP Closing Date, the Company entered into a Second Lien Credit Agreement (the “Second Lien Credit Agreement”) with various lenders (the "Second Lien Lenders", and together with the First Lien Lenders, the "Term Loan Lenders") which provides for a $300.0 million senior secured term loan (the “Second Lien Term Loan”, and together with the First Lien Term Loan, the “Term Loans”), made by the Second Lien Lenders to the Company.

The Company's obligations under the Second Lien Credit Agreement are guaranteed by the Loan Parties pursuant to a Second Lien Guarantee Agreement (the “Second Lien Guarantee Agreement”) and are required to be guaranteed by each of the Company’s direct and indirect subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the Closing Date. The obligations of the Company under the Second Lien Credit Agreement are secured on a second priority basis by the Term Priority Collateral and are secured on a third priority basis by the ABL Priority Collateral pursuant to a Second Lien Collateral Agreement (the “Second Lien Collateral Agreement”) and are required to be secured by such assets of each of the Company’s direct and indirect subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the PSP Closing Date.

The Second Lien Term Loan will mature on September 10, 2026 and bears interest at a variable rate with an 8.50% floor. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter.

The Second Lien Term Loan is not subject to scheduled amortization. Solely to the extent the First Lien Term Loan and related obligations have been repaid in full, the Company is required to prepay the Second Lien Term Loan with 50% of consolidated excess cash flow on an annual basis, subject to certain exceptions and to leverage-based step-downs to 25% and 0%, and with 100% of the net cash proceeds of certain other customary events, including certain asset sales (but excluding sales of ABL Priority Collateral), including customary reinvestment rights and leverage-based step-downs to 50% and 0%, in each case, subject to certain exceptions.

Third Amended and Restated Loan and Security Agreement (ABL)

On the PSP Closing Date, the Company entered into a Third Amended and Restated Loan and Security Agreement (the “ABL Agreement”) with various lenders. The ABL Agreement provides for a senior secured revolving loan facility (the “ABL Revolver”) with aggregate commitments available to Company of the lesser of (i) $150.0 million and (ii) a specified borrowing base based on a percentage of the Company's eligible credit card receivables, accounts (subject to certain limitations) and inventory (subject to certain limitations), less certain reserves (the “Aggregate Borrowing Cap”). Furthermore, the ABL Agreement includes separate borrowing caps equal to (A) the lesser of (1) $100.0 million and (2) a specified borrowing base based on a percentage of certain of the Company's subsidiaries eligible credit card receivables, accounts (subject to certain limitations) and inventory (subject to certain limitations), less certain reserves.

As of December 25, 2021, there was $20.0 million drawn on the ABL Revolver. The ABL Agreement amended and restated the existing Second Amended and Restated Loan and Security Agreement, dated as of December 16, 2019. The Company's obligations under the ABL Agreement are guaranteed pursuant to a Second Amended and Restated Guaranty Agreement, dated as of the PSP Closing Date. The obligations of the Company under the ABL Agreement are secured by substantially all of the assets of the Company pursuant to the ABL Agreement and a Third Amended and Restated Pledge Agreement (the “ABL Pledge”).

The ABL Revolver matures on March 10, 2025, and borrowings under the ABL Revolver will bear interest at a variable rate with a 1.75% floor. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter.

Subject to an intercreditor agreement, the Company is required to repay the excess amount of borrowings under the ABL Revolver if: (i) the aggregate outstanding principal amount of all borrowings by the Company under the ABL Revolver at any time exceeds the Aggregate Borrowing Cap, or (ii) the aggregate outstanding principal amount of all borrowings of certain of the Company's subsidiaries exceeds their borrowing caps.

The ABL Agreement and ABL Pledge include customary affirmative and negative covenants binding on the Company, including delivery of financial statements, borrowing base certificates and other reports. The negative covenants limit the ability of the Company, among other things, to incur debt, incur liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. In addition, the ABL Agreement includes customary events of default, the occurrence of which may require the Company to pay an additional 2.0% interest on the borrowings under the ABL Revolver.

Badcock First Lien Credit Agreement and First Lien Badcock Term Loan

On November 22, 2021 (the “Badcock Closing Date”), the Company entered into a First Lien Credit Agreement (the “First Lien Badcock Credit Agreement”) with various lenders. The First Lien Badcock Credit Agreement provides for a $425.0 million senior secured term loan (the "First Lien Badcock Term Loan"), made by the First Lien Badcock Lenders to the Company.

The Company's obligations under the First Lien Badcock Credit Agreement are guaranteed by the Company, the FRG Guarantors, and Badcock (also referred to as the “Badcock Guarantor” and collectively with the Company and FRG Guarantors, the “Loan Parties”) pursuant to the First Lien Guarantee Agreements (collectively, the “First Lien Guarantee Agreements”) and are required to be guaranteed by each of the Company’s direct and indirect domestic subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the Badcock Closing Date. The obligations of the Borrowers under the First Lien Badcock Credit Agreement are secured on a first priority basis by liens on substantially all of the assets of the Badcock Guarantor (the “Badcock Collateral”) and substantially all assets of the Loan Parties, pursuant to certain First Lien Collateral Agreements (collectively, the “First Lien Collateral Agreements”), by and among the Loan Parties party thereto and the First Lien Badcock Agent, and are required to be secured by such assets of each of the Company’s direct and indirect domestic subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the Badcock Closing Date.

The proceeds of the First Lien Badcock Term Loan, together with the proceeds of the Second Lien Badcock Term Loan and certain cash on hand of the Company and its subsidiaries, were used to consummate the Badcock Acquisition and to pay fees and expenses incurred in connection therewith and with certain related transactions, including the entry into the Credit Agreement.

The First Lien Badcock Term Loan will mature on November 22, 2023, unless the maturity is accelerated subject to the terms set forth in the First Lien Badcock Credit Agreement. The First Lien Badcock Term Loan will, at the option of the Borrowers, bear interest at either (i) a rate per annum based on Term Secured Overnight Financing Rate ("SOFR") for an interest period of one, three or six months (or under certain circumstances, twelve months or less than one month), plus an interest rate margin of 4.75% (each, a “Badcock First Lien SOFR Loan”), or (ii) an alternate base rate determined as provided in the First Lien Credit Agreement, plus an interest rate margin of 3.75% (each, a “Badcock First Lien ABR Loan”), with an effective 1.00% alternate base rate floor. Interest on Badcock First Lien SOFR Loans is payable in arrears at the end of each applicable interest period (and, with respect to an interest period of longer than three months, at three-month intervals during such interest period), and interest on Badcock First Lien ABR Loans is payable in arrears on the last business day of each calendar quarter.

The First Lien Badcock Term Loan will not be subject to amortization payments. The Borrowers are required to prepay the First Lien Badcock Term Loan with 100% of the net cash proceeds of certain customary events, including certain asset sales of Badcock Collateral. Subject to certain exceptions, repayments of the First Lien Badcock Term Loan within six months after the Closing Date in connection with a refinancing to reduce the pricing with respect to the First Lien Term Loan are subject to a prepayment premium of 1.00%. The Borrowers may also be required to pay SOFR breakage and redeployment costs in certain limited circumstances.

On December 23, 2021, the Company repaid $219.0 million of principal of the First Lien Badcock Term Loan using cash proceeds from the Receivables Purchase Agreement. The early repayment resulted in additional interest expense of $5.0 million for the write-off of deferred financing costs.

On December 27, 2021, the Company repaid an additional $31.0 million of principal of the First Lien Badcock Term Loan using cash proceeds from the Receivables Purchase Agreement, which is included in current installments of long-term obligations within the consolidated balance sheet.

Badcock Second Lien Credit Agreement and Term Loan

On the Badcock Closing Date, the Company entered into a Second Lien Credit Agreement (the "Second Lien Badcock Credit Agreement" and together with the First Lien Badcock Credit Agreement, the "Badcock Credit Agreements") with the various lenders from time-to-time party thereto (the "Second Lien Badcock Lenders") and Alter Domus (US) LLC, as administrative agent and collateral agent ("Second Lien Badcock Agent" and together with the First Lien Badcock Agent, the "Badcock Agents"). The Second Lien Badcock Credit Agreement provides for a $150.0 million senior secured term loan (the "Second Lien Badcock Term Loan" and together with the First Lien Badcock Term Loan, the "Badcock Term Loans"), made by the Second Lien Badcock Lenders to one or more of the Borrowers.

The Borrowers' obligations under the Second Lien Badcock Credit Agreement are guaranteed by the Borrowers and the other Loan Parties pursuant to the Second Lien Guarantee Agreements (collectively, the "Second Lien Guarantee Agreements"), by and among the Loan Parties party thereto and the Second Lien Badcock Agent, and are required to be guaranteed by each of the Company's direct and indirect domestic subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the Closing Date. The obligations of the Borrowers under the Second Lien Badcock Credit Agreement are secured on a second priority basis by liens on the Badcock Collateral and substantially all assets of the Loan Parties, pursuant to certain Second Lien Collateral Agreements (collectively, the "Second Lien Collateral Agreements"), by and among the Loan Parties party thereto and the Second Lien Badcock Agent, and are required to be secured by such assets of each of the Company's direct and indirect domestic subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the Badcock Closing Date.

The proceeds of the Second Lien Badcock Term Loan, together with the proceeds of the First Lien Badcock Term Loan and certain cash on hand of the Company and its subsidiaries, were used to consummate the Acquisition and to pay fees and expenses incurred in connection therewith and with certain related transactions, including the entry into the Credit Agreement Amendments.

The Second Lien Badcock Term Loan will mature on November 22, 2023, unless the maturity is accelerated subject to the terms set forth in the Second Lien Badcock Credit Agreement. The Second Lien Badcock Term Loan will, at the option of the Borrowers, bear interest at either (i) a rate per annum based on Term SOFR for an interest period of one, three or six months (or under certain circumstances, twelve months or less than one month), plus an interest rate margin of 7.50% (each, a "Second Lien SOFR Loan"), or (ii) an alternate base rate determined as provided in the Second Lien Badcock Credit Agreement, plus an interest rate margin of 6.50% (each, a "Second Lien Badcock ABR Loan"), with an effective 1.00% SOFR floor and a 2.00% alternate base rate floor. Interest on Second Lien Badcock SOFR Loans is payable in arrears at the end of each applicable interest period (and, with respect to an interest period of longer than three months, at three-month intervals during such interest period), and interest on Second Lien Badcock ABR Loans is payable in arrears on the last business day of each calendar quarter.

The Second Lien Badcock Term Loan will not be subject to amortization payments. The Borrowers are required to prepay the Second Lien Badcock Term Loan with 100% of the net cash proceeds of certain customary events, including certain asset sales of Badcock Priority Collateral. The Second Lien Badcock Term Loan may be voluntarily prepaid at any time without premium or penalty. The Borrowers may also be required to pay SOFR breakage and redeployment costs in certain limited circumstances.

On December 27, 2021, the Company repaid $150.0 million, the full outstanding balance of principal, of the Second Lien Badcock Term Loan using cash proceeds from the Receivables Purchase Agreement, which is included in current installments of long-term obligations within the consolidated balance sheet. The early repayment resulted in additional interest expense of $3.5 million for the write-off of deferred financing costs.

Debt Related to the Securitization of Accounts Receivable

In December 2021, the Company's Badcock segment sold beneficial interests in revolving lines of credit that it originated. The sales are accounted for as secured borrowings on our consolidated balance sheets with both assets and non-recourse liabilities because the sales do not qualify as a sale under ASC 860 - *"Transfers and Servicing,"* although the underlying receivables are deemed to be legally sold. The income earned on the securitized revolving lines of credit is recorded as interest income in service and other revenues with a corresponding amount recorded in Interest expense, net on the consolidated statements of operations.

Proceeds from secured borrowings issued in the securitization are accounted for as non-recourse notes payable. The Company's customers are responsible for repaying the debt from a secured borrowing, and the Company is not liable for the repayment of non-recourse loans unless representations or warranties in the loan agreements are breached. The lender assumes the credit risk and their only recourse, upon default by the customer, is against the customer.

Debt securitized by accounts receivable, net includes $400.0 million of securitized debt and an amortized discount of $7.5 million. Current installments of debt securitized by accounts receivable, net includes $296.7 million of securitized debt and an amortized discount of $5.6 million.

Compliance with Debt Covenants

The Company's revolving credit and long-term debt agreements impose restrictive covenants on it, including requirements to meet certain ratios. As of December 25, 2021, the Company was in compliance with all financial covenants under these agreements and, based on a continuation of current operating results, the Company expects to continue to be in compliance for the next twelve months.

Aggregate maturities of long-term debt at December 25, 2021 were as follows:

(In thousands)	Estimate for fiscal year
2022	$ 485,838
2023	284,055
2024	1,325
2025	1,056
2026	1,097,621
Thereafter	—
Total long-term obligations	$ 1,869,895

The following debt agreements have been repaid since reported in the Company's Form 10-K for the fiscal year ended December 26, 2020.

Franchise Group New Holdco Credit Agreement and Term Loan

On March 10, 2021, the outstanding amount of $527.4 million, including accrued interest, under the Franchise Group New Holdco Credit Agreement and Term Loan was paid in full in connection with the issuance of the First Lien Term Loan and the Second Lien Term Loan. The early repayment resulted in additional interest expense of $20.1 million for the write-off of deferred financing costs and $36.7 million for a prepayment penalty. The prepayment penalty is recorded in the Other expense line of the Consolidated Statement of Operations for the year ended December 25, 2021.

Franchise Group New Holdco New ABL Credit Agreement and New ABL Term Loan

On March 10, 2021, the Franchise Group New Holdco New ABL Credit Agreement and Term Loan was replaced by the ABL Agreement and the outstanding amount of $37.0 million, including accrued interest, under the Franchise Group New Holdco

New ABL Credit Agreement and Term Loan was paid in full by the Company in connection with the issuance of the First Lien Term Loan and the Second Lien Term Loan. The early repayment resulted in additional interest expense of $8.1 million for the write-off of deferred financing costs.

Vitamin Shoppe ABL Revolver

On March 10, 2021, the outstanding amount of $43.0 million, including accrued interest, under the Vitamin Shoppe ABL Revolver was paid in full with the proceeds from the First Lien Term Loan and the Second Lien Term Loan which resulted in a write-off of $1.2 million of deferred financing costs.

(10) Stockholders' Equity

Stockholders' Equity Activity

On January 11, 2021, the Company entered into an Underwriting Agreement with B. Riley Securities, Inc., as representative of the underwriters named therein (the “Underwriters”), to issue and sell an aggregate of 2,976,191 shares of the Company’s 7.50% Series A Cumulative Perpetual Preferred Stock, par value $0.01 per share and liquidation preference of $25.00 per share (the “Series A Preferred Stock”), in a public offering at a price to the public of $25.20 per share. The Company also granted the Underwriters an option (the "Option") to purchase up to 446,428 additional shares of Series A Preferred Stock during the 30 days following the date of the Underwriting Agreement. On January 14, 2021, the Underwriters partially exercised the Option for 314,934 shares. The offering closed on January 14, 2021, and the net proceeds to the Company were approximately $79.5 million, after deducting underwriting discounts, an advisory fee and offering expenses totaling approximately $3.2 million.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss at December 25, 2021 and December 26, 2020, are as follows:

(In thousands)	12/25/2021	12/26/2020
Foreign currency adjustment	$ —	$ (1,254)
Interest rate swap agreements, net of tax	—	(145)
Total accumulated other comprehensive loss	$ —	$ (1,399)

For the years ended December 25, 2021 and December 26, 2020, all components of accumulated other comprehensive loss were from discontinued operations.

Non-controlling interest

The Company is the sole managing member of Franchise Group New Holdco, LLC ("New Holdco") and, as a result, consolidates the financial results of New Holdco. Prior to April 1, 2020, the Company reported a non-controlling interest representing the economic interest in New Holdco held by the former equity holders of Buddy's (the "Buddy’s Members"). Changes in the Company's ownership interest in New Holdco while it retained a controlling interest in New Holdco were accounted for as equity transactions. On March 26, 2020, the Company redeemed 3,937,726 New Holdco units and 787,545 shares of preferred stock for common stock. On April 1, 2020, the Company redeemed the remaining 5,495,606 New Holdco units and 1,099,121 shares of preferred stock for common stock and the Company became the sole owner of New Holdco.

The exchange of New Holdco units for common stock resulted in an increase in the tax basis of the net assets of New Holdco and a liability to be recognized pursuant to the Tax Receivable Agreement ("TRA"). The difference of $10.0 million in the adjustment of the deferred tax balances and the tax receivable agreement liability was recorded as an adjustment to additional paid-in-capital. Refer to "Note 12 - Income Taxes" for further discussion of the TRA.

Income (Loss) per Share

Diluted net income (loss) per share is computed using the weighted-average number of common stock and, if dilutive, the potential common stock outstanding during the period. Potential common stock consists of the incremental common stock issuable upon the exercise of stock options and vesting of restricted stock units. The dilutive effect of outstanding stock options and restricted stock units is reflected in diluted earnings per share by application of the treasury stock method.

The computation of basic and diluted net income per share for the years ended December 25, 2021, December 26, 2020, the Transition Period, and year ended April 30, 2019 is as follows:

(In thousands, except for share and per share amounts)	12/25/2021 Common stock	12/26/2020 Common stock	12/28/2019 Common stock	4/30/2019 Common stock
Net income (loss) from continuing operations attributable to Franchise Group	$ 191,966	$ 20,645	$ (22,614)	$ —
Less: Preferred dividend declared	8,515	755	—	—
Adjusted net income (loss) from continuing operations attributable to Franchise Group available to Common Stockholders	183,451	19,890	(22,614)	—
Net income (loss) from discontinued operations attributable to Franchise Group	171,822	4,419	(45,813)	(2,156)
Adjusted net income (loss) available to Common Stockholders	$ 355,273	$ 24,309	$ (68,427)	$ (2,156)
Weighted-average common shares outstanding	40,199,681	34,531,362	16,669,065	13,800,884
Net dilutive effect of stock options and restricted stock	764,501	440,573	—	—
Weighted-average dilutive shares outstanding	40,964,182	34,971,935	16,669,065	13,800,884
Basic net income (loss) per share:				
Continuing operations	$ 4.56	$ 0.57	$ (1.35)	$ —
Discontinued operations	4.27	0.13	(2.76)	(0.16)
Basic net income (loss) per share	$ 8.83	$ 0.70	$ (4.11)	$ (0.16)
Diluted net income (loss) per share:				
Continuing operations	$ 4.48	$ 0.57	$ (1.36)	$ —
Discontinued operations	4.19	0.13	(2.75)	(0.16)
Diluted net income (loss) per share	$ 8.67	$ 0.70	$ (4.11)	$ (0.16)

Diluted net income per share excludes the impact of shares of potential common stock from the exercise of options and vesting of restricted stock units to purchase 206,899 and 524,649 shares for the Transition Period and year ended April 30, 2019, respectively, because the effect would be anti-dilutive.

(11) Stock Compensation Plan

2019 Omnibus Incentive Plan

In December 2019, the Company's stockholders approved the Company's 2019 Omnibus Incentive Plan (the "2019 Plan"). The 2019 Plan provides for a variety of awards, including stock options, stock appreciation rights, performance units, performance shares, shares of the Company’s common stock, par value $0.01 per share, restricted stock, restricted stock units, incentive awards, dividend equivalent units and other stock-based awards. Awards under the 2019 Plan may be granted to the

Company's eligible employees, directors, or consultants or advisors. The 2019 Plan provides that an aggregate maximum of 5,000,000 shares of common stock are reserved for issuance under the 2019 Plan, subject to adjustment for certain corporate events. At December 25, 2021 and December 26, 2020, 3,004,259 and 4,062,558 shares of common stock remained available for grant, respectively.

Simultaneously with stockholder approval of the Plan, the Company's prior equity incentive compensation plan, the JTH Holding Inc. 2011 Equity and Cash Incentive Plan (the "2011 Plan"), was terminated. No new awards will be granted under the 2011 Plan, although awards previously granted under the 2011 Plan and still outstanding will continue to be subject to all terms and conditions of the 2011 Plan.

Restricted Stock Units

The Company has awarded service-based restricted stock units ("RSUs") to its non-employee directors, officers and certain employees. The Company recognizes expense based on the estimated fair value of the RSUs granted over the vesting period on a straight-line basis. The fair value of RSUs is determined using the Company's closing stock price on the date of the grant. At December 25, 2021, unrecognized compensation cost related to RSUs was $5.0 million. These costs are expected to be recognized through fiscal 2023.

The following table summarizes the status of service-based RSU activity during the years ended December 25, 2021 and December 26, 2020, the Transition Period, and year ended April 30, 2019:

	Number of RSUs	Weighted-Average Fair Value at Grant Date
Balance at April 30, 2018	127,030	$ 12.48
Granted	147,991	10.40
Vested	(28,029)	13.47
Forfeited	(78,200)	12.31
Balance at April 30, 2019	168,792	$ 10.56
Granted	153,085	14.10
Vested	(80,549)	10.73
Forfeited	(36,122)	10.72
Balance at December 28, 2019	205,206	$ 13.11
Granted	192,809	24.83
Vested	(85,911)	12.67
Forfeited	(15,957)	19.69
Balance at December 26, 2020	296,147	$ 20.51
Granted	124,350	35.95
Vested	(148,447)	20.11
Forfeited	(2,342)	12.22
Balance at December 25, 2021	269,708	$ 27.92

Performance Restricted Stock Units

The Company has awarded performance restricted stock units ("PRSUs") to its officers and certain employees. The Company recognizes expense based on the estimated fair value of the PRSUs granted over the vesting period on a straight-line basis. The fair value of PRSUs is determined using the Company's closing stock price on the date of the grant. At December 25, 2021, unrecognized compensation cost related to PRSUs was $8.3 million. These costs are expected to be recognized through fiscal 2023.

The following table summarizes the status of PRSU activity during the years ended December 25, 2021 and December 26, 2020 and the Transition Period:

	Number of PRSUs	Weighted-Average Fair Value at Grant Date
Balance at April 30, 2019	—	$ —
Granted	465,833	14.40
Vested	—	—
Forfeited	—	—
Balance at December 28, 2019	465,833	$ 14.40
Granted	154,904	24.84
Vested	—	—
Forfeited	(2,000)	14.40
Balance at December 26, 2020	618,737	$ 17.00
Granted	107,023	35.66
Vested	(19,500)	14.40
Forfeited	—	—
Balance at December 25, 2021	706,260	$ 19.90

Market-Based Restricted Stock Units

The Company has awarded market-based restricted stock units ("MPRSUs") to its officers and certain employees. The Company recognizes expense based on the estimated fair value of the MPRSUs granted over the vesting period on a straight-line basis. The fair value of MPRSUs is determined using a Monte Carlo simulation valuation model to calculate grant date fair value. Compensation expense is recognized over the requisite service period using the proportionate amount of the award's fair value that has been earned through service to date. At December 25, 2021, unrecognized compensation cost related to MPRSUs was $14.1 million. These costs are expected to be recognized through fiscal 2024.

The following table summarizes the status of MPRSU activity during the year ended December 25, 2021:

	Number of MPRSUs	Weighted-Average Fair Value at Grant Date
Balance at December 26, 2020	—	$ —
Granted	826,926	20.13
Vested	—	—
Forfeited	—	—
Balance at December 25, 2021	826,926	$ 20.13

Stock Options

The Company has awarded stock options to its non-employee directors and officers. As of December 25, 2021 and December 26, 2020, there were 332,033 and 391,409 stock options outstanding, respectively. During the year ended December 25, 2021, there were 0 stock options granted, 59,376 stock options exercised, and 0 stock options forfeited. The weighted-average exercise price of stock options outstanding was $10.02 per share as of December 25, 2021. Stock options vest from the date of grant to three years after the date of grant and expire from 4 to 5 years after the vesting date.

As of December 25, 2021 and December 26, 2020, there were 0 and 63,334 non-vested stock options outstanding, respectively. During the year ended December 25, 2021, there were 0 non-vested stock options granted, 63,334 options vested,

and 0 non-vested stock options forfeited. At December 25, 2021, there was no remaining unrecognized compensation cost related to vested or non-vested stock options.

The following table summarizes information about stock options outstanding and exercisable at December 25, 2021.

	Options outstanding			Options exercisable	
Range of Exercise Prices	Number of options outstanding	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Number of options exercisable	Weighted-average exercise price
0.00 - 10.89	204,500	$ 8.80	1.5	204,500	$ 8.80
10.90 - 12.01	127,533	11.98	2.3	127,533	11.98
	332,033	$ 10.02		332,033	$ 10.02

Stock Compensation Expense

The Company recorded $13.4 million, $8.9 million, and $2.3 million of expense related to stock awards from continuing operations for the years ended December 25, 2021, December 26, 2020, and the Transition Period, respectively. There were no expenses related to stock awards from continuing operations recorded for the year ended April 30, 2019.

The Company has stock based incentive plans at various operating companies which are recorded as liabilities. The total aggregate liability for these plans as of December 25, 2021 is $1.7 million, recorded in "Accounts payable and accrued expenses" on the Consolidated Balance Sheet. During the year ended December 25, 2021, total expense recognized related to these plans was $1.5 million, included in the total $13.4 million of expense related to stock awards from continuing operations noted above. Future expense to be recognized for these plans as of December 25, 2021 is $19.9 million.

(12) Income Taxes

TRA

The Company previously had a non-controlling interest as a result of its acquisition of Buddy's on July 10, 2019. On April 1, 2020, the Company redeemed all of the non-controlling interest units. On July 10, 2019, the Company entered into a tax receivable agreement (the "TRA") with the then-existing non-controlling interest holders, which comprised the former equity holders of Buddy's ("the "Buddy's Members") that provides for the payment by the Company to the non-controlling interest holders of 40% of the cash savings, if any, in federal, state and local taxes that the Company realizes or is deemed to realize as a result of any increases in tax basis of the assets of New Holdco resulting from future redemptions or exchanges of New Holdco units.

During the year ended December 26, 2020, the Company acquired an aggregate of 9,433,332 New Holdco units, which resulted in an increase in the tax basis of its investment in New Holdco subject to the provisions of the TRA. As of December 25, 2021, the Company recognized a total liability in the amount of $17.3 million for the payments due to the redeeming members under the Tax Receivable Agreement ("TRA Payments"), representing 40% of the cash savings it expects to realize from the tax basis increases related to the redemption of New Holdco units. In the year ended December 25, 2021, the Company recognized an additional $0.5 million for the payments due to the redeeming members. TRA Payments will be made when such TRA related deductions actually reduce the Company’s income tax liability. No payments were made to members of New Holdco pursuant to the TRA during the year ended December 25, 2021.

Pursuant to the Company's election under Section 754 of the Internal Revenue Code (the "Code"), the Company has obtained an increase in its share of the tax basis in the net assets of New Holdco when the New Holdco units were redeemed or exchanged by the non-controlling interest holders and other qualifying transactions. The Company has treated the redemptions and exchanges of New Holdco units by the non-controlling interest holders as direct purchases of New Holdco units for U.S. federal income tax purposes. This increase in tax basis will reduce the amounts that it would otherwise pay in the future to various tax authorities.

They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

CARES Act

The Coronavirus, Aid, Relief, and Economic Security, or CARES Act (the "Act") was enacted on March 27, 2020. The Act retroactively changed the eligibility of certain assets for expense treatment in the year placed in service, back to 2018, and permitted any net operating loss for the tax years 2018, 2019 and 2020 to be carried back for 5 years. The Company recorded a total income tax benefit of $52.3 million during the year ended December 26, 2020 associated with the income tax components contained in the Act. As of December 25, 2021, the Company has completed its analysis of the tax effects of the Act but continues to monitor developments by federal and state rule making authorities regarding implementation of the Act. The Company will adjust, if needed, as new laws or guidance becomes available.

Global intangible low-taxed income (GILTI)

The Tax Act subjects a U.S. shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company elected to account for GILTI in the year the tax is incurred as a period cost.

Components of income tax expense for the fiscal years ended December 25, 2021, December 26, 2020, the Transition Period, and year ended April 30, 2019 were as follows:

(In thousands)	12/25/2021	12/26/2020	12/28/2019	4/30/2019
Current:				
Federal	$ —	$ (62,897)	$ —	$ —
State	1,362	615	56	—
Current tax expense	1,362	(62,282)	56	—
Deferred:				
Federal	(37,816)	3,931	(3,971)	—
State	2,916	(2,150)	(4,662)	—
Deferred tax expense (benefit)	(34,900)	1,781	(8,633)	—
Total income tax expense (benefit)	$ (33,538)	$ (60,501)	$ (8,577)	$ —

For the years ended December 25, 2021, December 26, 2020, Transition Period, and year ended April 30, 2019, income before taxes consisted of the following:

(In thousands)	12/25/2021	12/26/2020	12/28/2019	4/30/2019
Income (loss) before income taxes	$ 158,428	$ (49,557)	$ (50,019)	$ —

Income tax benefit differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pre-tax income from continuing operations as a result of the following for years ended December 25, 2021 and December 26, 2020 are as follows:

(In thousands)	12/25/2021	12/26/2020
Computed "expected" income tax benefit	$ 33,270	$ (10,407)
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	5,304	(2,083)
Bargain purchase gain	(27,729)	—
162(m) limitation	2,019	—
Nondeductible expenses	197	55
Stock compensation expense	(900)	196
Transaction costs	858	392
Permanent goodwill on sale of Buddy's stores	—	1,062
CARES Act	—	(52,337)
Non-controlling interest in New Holdco	—	1,782
Research credit	—	(676)
Decrease in DTL due to change in tax status	—	(8,882)
Decrease to valuation allowance due to change in tax status	—	8,882
Decrease in valuation allowance due to CARES Act	—	(11,417)
Increase in valuation allowance due to operations	—	2,456
Increase in DTL for current year activity	—	10,254
Decrease in valuation allowance due to current year income	(45,180)	—
Other	(1,377)	222
Total income tax benefit	$ (33,538)	$ (60,501)

The tax effect of temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of deferred tax assets and liabilities as of December 25, 2021 and December 26, 2020 are as follows:

(In thousands)	12/25/2021	12/26/2020
Deferred tax assets:		
Federal and state net operating loss carryforward	$ 16,865	$ 19,364
Section 743 adjustment	38,604	39,974
Interest expense carryforward	1,485	559
State bonus depreciation	5,069	4,791
Equity compensation	3,806	2,316
Inventory	4,528	5,793
Goodwill, intangible assets, and assets held for sale (Canada)	—	33
R&D Credits	—	601
Deferred revenue	4,176	1,056
Accrued expenses and reserves	9,976	4,212
Property, plant, and equipment (Canada)	—	115
Allowances	795	4,272
Unrealized gain/loss	—	29
Lease liability (ASC 842)	185,064	138,850
Other	3,463	2
Total deferred tax assets (before valuation allowance)	273,831	221,967
Valuation allowance	(8,213)	(53,004)
Total deferred tax assets (after valuation allowance)	265,618	168,963
Deferred tax liabilities		
Property, plant, and equipment (U.S.)	(78,895)	(30,147)
Goodwill, intangible assets, and assets held for sale (U.S.)	(33,786)	(16,678)
Right-of-use assets (ASC 842)	(181,227)	(131,637)
Prepaid expenses	(4,968)	(2,620)
Total deferred tax liabilities	(298,876)	(181,082)
Net deferred tax liability	$ (33,258)	$ (12,119)

In assessing the realizability of the gross deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company increased its valuation allowance by $47.0 million, of which $45.2 million was attributable to continuing operations. The Company increased its valuation allowance by $2.2 million related to acquired net operating losses subject to Section 382 limitation.

As of December 25, 2021, the Company has gross U.S. federal net operating losses of $40.4 million, state net operating losses of $172.5 million, a portion of which will begin to expire in 2024. A portion of the Company's net operating loss carry forwards is subjected to an annual limitation under Section 382, which may restrict the Company's ability to use them to offset its taxable income in future periods.

The Company adopted the accounting and disclosure requirements for uncertain tax positions, which require a two-step approach to evaluate tax positions. This approach involves recognizing any tax positions that are more likely than not to occur

and then measuring those positions to determine the amounts to be recognized in the financial statements. The Company increased reserves for uncertain tax positions by $4.8 million as of December 25, 2021 related to prior tax positions. The Company decreased its position of $0.2 million related to its Canadian entity. It is reasonably possible that $1.5 million of uncertain tax positions may be recognized in the coming year as a result of a lapse of the statute of limitations.

A reconciliation of the beginning and ending balance of the gross liability for uncertain tax positions for the fiscal years ended December 25, 2021 and December 26, 2020, is as follows:

(In thousands)	12/25/2021	12/26/2020
Liability for uncertain tax positions, beginning of year	$ 357	$ 461
Decreases related to current year positions	(219)	(104)
Increases related to prior year positions	4,819	—
Liability for uncertain tax positions, end of year	$ 4,957	$ 357

As of December 25, 2021, the Company's earliest open tax year for U.S. federal income tax purposes was its fiscal year ended April 30, 2019.

(13) Related Party Transactions

The Company considers directors and their affiliated companies, as well as named executive officers and members of their immediate families, to be related parties.

Messrs. Kahn and Laurence

Vintage Capital Management, LLC and its affiliates ("Vintage") held approximately 12.3% of the aggregate voting power of the Company through their ownership of common stock as of December 25, 2021. Brian Kahn and Andrew Laurence are principals of Vintage. Mr. Kahn is a member of the Board of Directors, President and Chief Executive Officer of the Company. Mr. Laurence is an Executive Vice President of the Company, served as a member of the Company's Board of Directors until the Company's annual meeting of stockholders in May 2021 and served as the Company's Chairman of the Board until March 31, 2020.

Buddy's Franchises. Mr. Kahn's brother-in-law owns seven Buddy's franchises. All transactions between the Company's Buddy's segment and Mr. Kahn's brother-in-law are conducted on a basis consistent with other franchisees.

Bryant Riley (former director)

Bryant Riley, through controlled entities or affiliates held approximately 4.0% of the aggregate ownership of the Company's common stock as of December 25, 2021. Mr. Riley was also a member of the Company's Board of Directors from September 2018 through March 2020. Prior to the second quarter of 2021, Mr. Riley held greater than 5.0% of the aggregate ownership of the Company's common stock, as such, the transactions with Mr. Riley while his ownership was greater than 5.0% included:

January 2021 Underwritten Offering of Preferred Stock. On January 11, 2021, the Company reopened its original issuance of its Series A Preferred Stock, which closed on September 18, 2020. The Company completed the reopened underwritten offering on January 15, 2021 in which B. Riley Securities, an affiliate of Mr. Riley, acted as representative of the underwriters. In connection with the offering B. Riley Securities and the other underwriters in the offering were entitled to an underwriting discount and reimbursement of certain out-of-pocket expenses incurred of approximately $3.0 million and B. Riley Securities was entitled to a structuring fee of $0.3 million.

Debt Commitment Letter and Fee Letter. On January 23, 2021, in connection with the Pet Supplies Plus Acquisition and the refinancing of the Company's existing indebtedness, the Company entered into a debt commitment letter with, among

others, BRF Finance Co., LLC (“BRF”), an affiliate of Mr. Riley, pursuant to which BRF committed to provide (i) $100.0 million of a then-contemplated first lien term loan credit facility and (ii) $300.0 million of a then-contemplated senior unsecured term loan credit facility (the “Senior Unsecured Facility”). On January 23, 2021, the Company entered into a fee letter with BRF pursuant to which (a) BRF committed to provide $100.0 million of an alternative then-contemplated first lien term loan credit facility (the “Alternative First Lien Facility”) and (b) BRF (or its affiliates) received, on March 10, 2021, (i) a $9.0 million arrangement fee as consideration for BRF’s commitments and agreements with respect to the Senior Unsecured Facility and (ii) a $1.0 million take-out fee as consideration for BRF’s commitments and agreements with respect to the Alternative First Lien Facility.

M. Brent Turner

Mr. Turner was the President and Chief Executive Officer of the Company’s Liberty Tax business which was sold to NextPoint on July 2, 2021 in connection with the Purchase Agreement. The Company previously entered into certain agreements with Revolution Financial, Inc., an entity partially owned by Mr. Turner, which were terminated upon completion of the sale of the Liberty Tax business. During the year ended December 25, 2021, the Company earned less than $0.2 million in royalties related to such agreements which was recorded in "Income (loss) from discontinued operations, net of tax" in the accompanying consolidated statements of operations.

Tax Receivable Agreement

In connection with the Company's acquisition of Buddy's, the Company entered into a TRA with the Buddy's Members that provides for the payment to the Buddy's Members of 40% of the amount of any tax benefits that the Company actually realizes as a result of increases in the tax basis of the net assets of New Holdco resulting from any redemptions or exchanges of New Holdco units. Amounts due under the TRA to the Buddy's Members as of December 25, 2021, were $17.3 million which is recorded in "Other non-current liabilities" in the accompanying consolidated balance sheets. No payments were made to Buddy's Members pursuant to the Tax Receivable Agreement during the year ended December 25, 2021.

(14) Commitments and Contingencies

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations.

The Company is party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its consolidated results of operations, financial position, or cash flows.

Guarantees

The Company remains secondarily liable under various real estate leases that were assigned to franchisees who acquired Pet Supplies Plus stores from the Company. In the event of the failure of an acquirer to pay lease payments, the Company could be obligated to pay the remaining lease payments which extend through 2033 and aggregated $22.9 million as of December 25, 2021. If the Company is required to make payments under these guarantees, the Company could seek to recover those amounts from the franchisees or in some cases their affiliates. The Company believes that payment under these guarantees is remote as of December 25, 2021.

(15) Segments

The Company's operations are conducted in six reporting business segments: Vitamin Shoppe, Pet Supplies Plus, Badcock, American Freight, Buddy's, and Sylvan. The Company defines its segments as those operations which results its chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The results of operations of Buddy's are included in the Company's results of operations beginning on July 10, 2019, the results of operations of Vitamin Shoppe are included in the Company's results of operations beginning on December 16, 2019, while the results of operations of American Freight are included in the Company's results of operations beginning on February 14, 2020. The results of operations of the Sears Outlet business are included in the Company's results of operations beginning on October 23, 2019 and are included in the results of operations of the American Freight segment. The results of operations of the FFO business are included in the Company's results of operations beginning on December 27, 2020 and are included in the results of operations of the American Freight segment. The results of Pet Supplies Plus are included in the Company's results of operations beginning on March 10, 2021, the results of operations of Sylvan are included in the Company's results of operations beginning on September 27, 2021, and the results of Badcock are included in the Company's results of operations beginning on November 22, 2021. As a result of the Company's sale of its Liberty Tax business, as discussed in "Note 3. Discontinued Operations", the Company's Liberty Tax business is not reported in segment information as this business is reported as a discontinued operation. Current and prior year amounts have been revised to reflect this change.

The Company measures the results of our segments using, among other measures, each segment's net revenues, operating expenses and operating income (loss). The Company may revise the measurement of each segment's operating income, including the allocation of overhead costs, as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation. Because the Pet Supplies Plus Acquisition, Sylvan Acquisition, and Badcock Acquisition occurred in the year ended December 25, 2021, comparable information is not available; therefore, aforementioned segments' information is not provided in this discussion. Due to our Liberty Tax business being a discontinued operation, there is no comparative segment information to report.

The Company measures the results of its segments, using, among other measures, each segment's total revenue and income (loss) from operations. The Company may revise the measurement of each segment's income (loss) from operations as determined by the information regularly reviewed by the CODM. For the period ended December 29, 2018 and the year ended April 30, 2019, all revenues and operating income (loss) were from discontinued operations so no amounts are presented in the tables below.

Total revenues by segment are as follows:

(In thousands)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019 - 12/28/2019
Total revenue:			
Vitamin Shoppe	$ 1,172,725	$ 1,035,964	$ 30,574
Pet Supplies Plus	917,439	—	—
Badcock	102,057	—	—
American Freight	988,892	896,431	68,230
Buddy's	64,409	97,332	35,722
Sylvan	9,682	—	—
Consolidated total revenue	$ 3,255,204	$ 2,029,727	$ 134,526

Operating income (loss) by segment are as follows:

(In thousands)	Twelve Months Ended 12/25/2021	Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019 - 12/28/2019
Income (loss) from operations:			
Vitamin Shoppe	$ 104,004	$ 5,371	$ (13,509)
Pet Supplies Plus	41,654	—	—
Badcock	22,674	—	—
American Freight	66,541	40,348	(18,539)
Buddy's	16,685	20,364	3,172
Sylvan	(712)	—	—
Total Segments	250,846	66,083	(28,876)
Corporate	(24,495)	(13,572)	(14,145)
Consolidated income (loss) from operations	$ 226,351	$ 52,511	$ (43,021)

Total assets by segment are as follows:

(In thousands)	12/25/2021	12/26/2020
Total assets:		
Vitamin Shoppe	$ 596,964	$ 607,148
Pet Supplies Plus	957,849	—
Badcock	1,062,310	—
American Freight	959,282	801,731
Buddy's	146,033	137,698
Sylvan	103,850	—
Total Segments	3,826,288	1,546,577
Corporate	86,883	203,196
Consolidated total assets	$ 3,913,171	$ 1,749,773

(16) Subsequent Events

On February 22, 2022, the Company's Board of Directors declared quarterly dividends of $0.625 per share of common stock and $0.46875 per share of Series A Preferred Stock. The dividends will be paid in cash on or about April 15, 2022 to holders of record of the Company's common stock and Series A Preferred Stock on the close of business on April 1, 2022.

On February 22, 2022, the Company's Board of Directors approved a change in the Company's fiscal year-end from the Saturday in December closest to December 31st to the Saturday closest to December 31st.

(17) Selected Quarterly Financial Information (Unaudited)

The following tables show a summary of the Company's quarterly financial information for each of the four quarters of 2021 and 2020 (in thousands, except per share amounts):

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Fiscal year ended December 25, 2021:				
Total revenues[1]	$ 942,276	$ 828,826	$ 862,758	$ 621,345
Income from operations[1]	$ 60,457	$ 54,763	$ 58,156	$ 52,976
Net income (loss) from continuing operations	$ 151,782	$ 35,998	$ 32,521	$ (28,334)
Net income (loss) from discontinued operations	$ (4,613)	$ 128,072	$ 6,215	$ 42,147
Net income (loss) attributable to Franchise Group, Inc.	$ 147,169	$ 164,070	$ 38,736	$ 13,813
Basic earnings (loss) per share:				
Continuing operations	$ 3.71	$ 0.84	$ 0.76	$ (0.76)
Discontinued operations	(0.11)	3.18	0.15	1.05
Total basic earnings per share	$ 3.60	$ 4.02	$ 0.91	$ 0.29
Diluted earnings (loss) per share				
Continuing operations	$ 3.64	$ 0.83	$ 0.74	$ (0.76)
Discontinued operations	(0.11)	3.13	0.15	1.05
Total diluted earnings per share	$ 3.53	$ 3.96	$ 0.89	$ 0.29
Fiscal year ended December 26, 2020:				
Total revenues[1]	$ 491,534	$ 537,692	$ 497,554	$ 502,947
Income from operations[1]	$ 15,899	$ 24,680	$ 14,777	$ (2,845)
Net income (loss) from continuing operations	$ 7,748	$ (4,726)	$ (16,361)	$ 33,984
Net income (loss) from discontinued operations	$ (11,953)	$ (3,871)	$ (5,312)	$ 25,555
Net income (loss) attributable to Franchise Group, Inc.	$ (4,205)	$ (8,597)	$ (21,673)	$ 59,539
Basic earnings (loss) per share:				
Continuing operations	$ 0.19	$ (0.12)	$ (0.47)	$ 1.45
Discontinued operations	(0.30)	(0.10)	(0.15)	1.09
Total basic earnings per share[2]	$ (0.11)	$ (0.22)	$ (0.62)	$ 2.54
Diluted earnings (loss) per share:				
Continuing operations	$ 0.19	$ (0.12)	$ (0.47)	$ 1.43
Discontinued operations	(0.30)	(0.10)	(0.15)	1.08
Total diluted earnings per share[2]	$ (0.11)	$ (0.22)	$ (0.62)	$ 2.51

(1) Slight variations in totals are due to rounding.

(2) Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

EXHIBIT B

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

between

VITAMIN SHOPPE FRANCHISING, LLC

and

_____

FRANCHISEE NAME

_____

_____

TABLE OF CONTENTS

SECTION **PAGE**

1. BACKGROUND. 1
2. DEFINITIONS. 1
3. ACKNOWLEDGMENTS. 2
4. Grant of Franchise 4
   - A. Grant of Franchise 4
   - B. Term 4
   - C. Territorial Rights 4
   - D. Reservation of Rights 4
   - E. Omni-Channel Sales 5
   - F. Conversion of Non-System Store 6
   - G. Guaranty 6
   - H. Your Form and Structure 7
   - I. Store Manager 7
5. Site Selection, Lease, and Developing the Store 8
   - A. Site Selection and Acceptance 8
   - B. Lease Negotiation and Acceptance 9
   - C. Development of Store 9
   - D. Opening 11
6. Fees 12
   - A. Initial Franchise Fee 12
   - B. Royalty 12
   - C. Technology Fee 12
   - D. Payment Method and Timing 13
   - E. Administrative Fee and Interest on Late Payments 13
   - F. Application of Payments and Right of Set-Off 13
7. Training, Guidance, and Assistance 14
   - A. Initial Orientation and Training 14
   - B. Retraining 14
   - C. Opening Set-Up and Support 14
   - D. Ongoing and Supplemental Training/Meetings, Conferences and Conventions 15
   - E. Training for Store Employees 15

TABLE OF CONTENTS

SECTION **PAGE**

F. General Guidance and the Operations Manual 15
G. Delegation 17
8. Store Operation and Brand Standards 17
A. Condition and Appearance of Store 17
B. Compliance with Applicable Laws and Good Business Practices 18
C. Compliance with Brand Standards 18
D. Approved Services, Products, and Suppliers 21
E. Computer System 22
F. Intranet 23
9. Marks 23
A. Ownership and Goodwill of Marks 23
B. Limitations on Use of Marks 24
C. Notification of Infringements and Claims 24
D. Discontinuance of Use of Marks 25
E. Indemnification for Use of Marks 25
10. Confidential Information 25
11. Consumer Data 27
12. Innovations 27
13. Exclusive Relationship 28
14. Advertising and Marketing 28
A. Market Introduction Program 28
B. Brand Fund 29
C. Approval of Marketing and Other External Communications 30
D. Local Marketing 31
E. Advertising Cooperatives 31
F. System Website 31
15. Records, Reports, and Financial Statements 32
16. Inspections and Audits 33
A. Inspections 33
B. Our Right to Audit 34
17. Transfer 35
A. Transfer by Us 35

TABLE OF CONTENTS

SECTION **PAGE**

B. Transfer by You and Definition of Transfer 35
C. Conditions for Approval of Transfer 36
D. Transfer to a Wholly-Owned or Affiliated Entity 39
E. Death or Disability 39
F. Effect of Consent to Transfer 40
G. Our Right of First Refusal 40
18. Expiration of Agreement 41
19. Termination of Agreement 42
A. Termination 42
B. Assumption of Store's Management 45
C. Other Remedies upon Default 46
20. Rights and Obligations upon Termination or Expiration of This Agreement 46
A. Payment of Amounts Owed 46
B. De-Identification 47
C. Confidential Information 48
D. Notification to Customers 48
E. Covenant Not to Compete 49
F. Option to Purchase Operating Assets 50
G. Continuing Obligations 51
21. Relationship of the Parties; Indemnification 51
A. Independent Contractors 51
B. No Liability for Acts of Other Party 52
C. Taxes 52
D. Insurance 53
E. Indemnification 53
22. Enforcement 54
A. Severability 54
B. Waiver of Obligations and Force Majeure 55
C. Costs and Attorneys' Fees 56
D. You May Not Withhold Payments 56
E. Rights of Parties Are Cumulative 56
F. Arbitration 56

TABLE OF CONTENTS

SECTION **PAGE**

G. Governing Law 58
H. Consent to Jurisdiction 58
I. Waiver of Punitive and Exemplary Damages 58
J. Waiver of Jury Trial 59
K. Binding Effect 59
L. Limitations of Claims 59
M. Construction 59
N. The Exercise of Our Business Judgment 60
23. Compliance with Anti-Terrorism Laws 61
24. Notices and Payments 61
25. Electronic Mail 62

EXHIBITS

Exhibit A – Basic Terms

Exhibit B – Guaranty and Assumption of Obligations

Exhibit C – Franchisee and Its Owners

Exhibit D – Lease Rider

Exhibit E – Sample Form of Confidentiality Agreement

THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company, whose principal business address is 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094 ("**Franchisor**," "**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**Franchisee**," "**you**" or "**your**"), and is effective as of the date we sign it as the franchisor, which is set forth next to our signature at the end of this Agreement (the "Effective Date").

1. BACKGROUND.

We and certain of our affiliates have created, designed, and developed a concept which features standards, specifications, procedures and methods utilized in connection with the development and operation of an omni-channel specialty retailer of vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products and services. We and such affiliates currently use, promote, and license certain trademarks, service marks, and other commercial symbols for The Vitamin Shoppe Stores and from time to time we and our affiliates may create, use, and license new trademarks, service marks, and commercial symbols for The Vitamin Shoppe Stores.

We offer and grant franchises to qualified persons to own and operate a The Vitamin Shoppe Stores offering the products and services authorized and approved by us and utilizing The Vitamin Shoppe Store business system, business formats, methods, procedures, designs, layouts, trade dress, standards, specifications, and marks, all of which we and our affiliates periodically may improve, further develop, and otherwise modify.

You have applied for a franchise to own and operate The Vitamin Shoppe Store, and such application has been approved by us in reliance upon all of the representations made therein.

You have read this Agreement and have been given the opportunity to clarify any provisions that you did not understand and to consult with an attorney or other professional advisor. You hereby acknowledge that you understand and accept the terms, conditions and covenants contained in this Agreement as being necessary to maintain the high standards of quality and service and the uniformity of those standards at The Vitamin Shoppe Stores.

2. DEFINITIONS.

In addition to the terms that are defined in other parts of this Agreement, the following terms have the indicated meanings:

Affiliates means Franchisor and its parents, subsidiaries, and affiliates and their respective directors, officers, owners, shareholders, partners, members, representatives, employees, agents, attorneys, contractors, predecessors, successors, heirs and assigns of each of the forgoing (in their corporate and individual capacities).

Applicable Laws means all relevant or applicable national, state and local laws, including, but not limited to, statutes, rules, regulations, ordinances, directives, and codes.

Area of Protection shall have the meaning assigned to it in Section 4.C.

Brand Standards means the specifications, rules, procedures, requirements, directives, guidelines and processes we establish from time to time for the operation of a The Vitamin Shoppe Store including equipment, furniture and fixtures, interior and exterior design and décor, inventory requirements, product display and technology components.

Competitive Business shall have the meaning assigned to it in Section 13.

Confidential Information shall have the meaning assigned to it in Section 10.

Entity means a corporation, a limited liability company, a general, limited, or limited liability partnership, or another form of business entity.

Franchise System means collectively, our methods of operating a The Vitamin Shoppe Store including Standards and the Manuals; our marketing and promotional programs and materials; supplier and vendor marketing programs; our omnichannel programs, loyalty programs, training programs; technology, operations and administrative systems designed for use in developing and operating The Vitamin Shoppe Stores; and the Marks.

Marks means the trademarks, service marks, commercial symbols and trade names together with the related logo(s), including designs, stylized letters, and colors, that Franchisor permits Franchisee to use at the Store and in marketing for the Store, including the trade and service mark "THE VITAMIN SHOPPE," and any other additional or substituted trademarks, service marks, trade names, trade dress, or logos that Franchisor later adopts and authorizes Franchisee in writing to use.

Owner means any person or Entity owning an equity interest in Franchisee and Owners means all persons or entities owning an equity interest in Franchisee.

Stores means specialty retail stores offering vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products and services operating under the Marks, the Franchise System, the Manuals and the Brand Standards and excludes store within a store concepts or pop-up shops.

Term shall have the meaning assigned to it in Section 4.B.

3. ACKNOWLEDGMENTS.

You acknowledge that:

i. You independently investigated The Vitamin Shoppe Store franchise opportunity and recognize that, like any other business, the nature of the Store's business may, and probably will, evolve and change over time.

ii. Investing in a The Vitamin Shoppe Store involves business risks that could result in your losing a significant portion or all of your investment.

iii. We have not made, and you have not relied on, any express or implied guaranty or representation as to the extent to which we and our affiliates will continue developing and expanding The Vitamin Shoppe Store network.

iv. Your business abilities and efforts are vital to your success.

v. Retaining customers for your The Vitamin Shoppe Store will require you to maintain the premises, provide a high level of customer service, and adhere strictly to the Franchise System and our Brand Standards.

vi. You are committed to maintaining the Brand Standards.

vii. Other than for disclosures in our Franchise Disclosure Document, you have not received from us or our Affiliates and are not relying upon any representations or guarantees, express or implied, concerning The Vitamin Shoppe Store's potential volume, revenue, income, or profits.

viii. In their dealings with you, our officers, directors, employees, consultants, lawyers, and agents act only in a representative, and not in an individual, capacity, and business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

ix. You have represented to us, to induce our signing this Agreement, that all application and qualification materials you gave us are accurate and complete, and you made no misrepresentations or material omissions to obtain the Franchise.

x. You read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high product quality and service Standards (and the uniformity of those Standards at each The Vitamin Shoppe Store) and to protect and preserve the goodwill of the Marks.

xi. We have not made any representation, warranty, or other claim regarding The Vitamin Shoppe Store franchise opportunity other than those made in this Agreement and our Franchise Disclosure Document, and you independently evaluated this opportunity (including by using your business professionals and advisors) and relied solely upon those evaluations in deciding to purchase a The Vitamin Shoppe Franchise and to sign this Agreement.

xii. You had an opportunity to ask questions and to review materials of interest to you concerning The Vitamin Shoppe Store franchise opportunity.

xiii. You had an opportunity, and we encouraged you, to have an attorney or other professional advisor review this Agreement and all other materials we gave or made available to you.

4. Grant of Franchise

A. Grant of Franchise

Subject to this Agreement's terms, we grant you the right, and you commit, to operate The Vitamin Shoppe retail business at the address identified on Exhibit A (the "**Store**") using the Franchise System and the Marks. (If the Store's address is unknown as of the Effective Date, the address will be determined as provided in Section 4.A. and then listed on an amended and restated Exhibit A we will give you.) We may terminate this Agreement if we do not accept, and you do not secure, the Store's site within six (6) months (subject to any permitted extensions). Your right to operate the Store is limited to services provided and products sold at the Store's physical location and does not include the right to distribute services and products over the Internet or to engage in other supply or distribution channels.

B. Term

The franchise term (the "**Term**") begins on the Effective Date and expires ten (10) years from the Effective Date. The Term is subject to earlier termination under Section 19. You agree to operate the Store in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 19.

C. Territorial Rights

During the Term, we and our affiliates will not own or operate, or allow another franchisee or licensee to own or operate, another Store that has its physical location within the geographical area described on Exhibit A (the "**Area of Protection**"). If the Store's address is unknown as of the Effective Date, we will describe the Area of Protection on an amended and restated Exhibit A that we will send you after we accept the Store's site as provided in Section 4.A.

D. Reservation of Rights

Except for your location exclusivity with respect to the Store described in Section 3.C above, we and our Affiliates retain all rights with respect to the Stores, the Marks, the sale of similar or dissimilar services and products, including but not limited to the sale of private label products under such names, but not limited to, THE VITAMIN SHOPPE, VTHRIVE, PLNT, BODYTECH, FITFACTOR WEIGHT MANAGEMENT SYSTEM, TRUE ATHLETE, NEXT STEP, PROBIOCARE, MYTRITION and YOUR ESSENTIALS ("Private Label Products"), and any other activities we and they deem appropriate, whenever and wherever we and they desire, whether inside or outside the Area of Protection. Specifically, but without limitation, we and our Affiliates reserve the following rights:

i. to own and operate, and to allow other franchisees and licensees to own and operate, the Stores at any locations outside the Area of Protection (including at the boundary of the Area of Protection) and on any terms and conditions we and they deem appropriate;

ii. to offer and sell, and to allow others to offer and sell, inside and outside the Area of Protection, and on any terms and conditions we and they deem appropriate, services and products that are identical or similar to and/or competitive with those offered and sold by the Stores, including all Private Label Products, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet, all omni channels and store within a store concepts and pop-up shops) but not through the Stores that have their physical locations inside the Area of Protection;

iii. to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Area of Protection) businesses offering similar services and products under trademarks and service marks other than the Marks;

iv. to acquire the assets or ownership interests of one or more businesses offering and selling services and products similar to those offered and sold at the Stores (even if such a business operates, franchises, or licenses Competitive Businesses (defined in Section 13 below)), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Area of Protection;

v. to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling services and products similar to those offered and sold at the Stores, or by another business, even if such a business operates, franchises, or licenses Competitive Businesses inside or outside the Area of Protection; and

vi. to engage in all other activities this Agreement does not expressly prohibit.

E. Omni-Channel Sales

As described in Section 4.D.ii above, we and our Affiliates currently offer and sell products and services identified by the Marks and other trademarks through alternate channels of distribution to customers throughout the world, including customers located in the Area of Protection. These channels include, but are not limited to, sales through the Internet and other web-based channels and may include various pick-up and delivery options and/or fulfillment from your Store. In such event, we may, but are under no obligation, to share any revenue with you and we reserve the right to modify any revenue sharing arrangement at any time. Any revenue sharing arrangement that may exist shall be described in the Operations Manual which may change from time to time at our sole discretion.

F. Conversion of Non-System Store

If we or any of our affiliates acquires any store operating under different trademarks that sells the same, similar or different products and services as those offered and sold by The Vitamin Shoppe Stores (each a "**Non-System Store**") within the Area of Protection and we and/or our affiliates desire to convert such Non-System Store to a Store operating under the Marks, we shall deliver to you a written notice of such intent to convert (each, a "**Conversion Notice**"). Provided that you are in compliance with all of the provisions of this Agreement and no default, or event which with the giving of notice or passage of time or both would become a default, exists under this Agreement or any other agreement between you and us, you shall have the option, exercisable within 30 days after receipt of such Conversion Notice, to purchase the Non-System Store and convert it to a Store operating under the Marks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate such purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to this Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert. If we or our affiliate purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you shall be the cash equivalent of the consideration paid by us or our affiliate for the Non-System Store (or, if we or our affiliate purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our or our affiliate's proportionate per store cost, as determined by us or our affiliate in our or its sole discretion). In addition to the purchase price payable under this Section 4.F, you shall reimburse us or our affiliate for the costs and expenses incurred by us or our affiliate in connection with the acquisition of the Non-System Store (prorated if the Non-System Store was acquired as part of a multiple store purchase). You acknowledge that the value of the Non-System Store may diminish during the 180-day period after our or our affiliate's acquisition of the Non-System Store. If we or our affiliate did not purchase the Non-System Store during the 180 days prior to delivery of the Conversion Notice, the purchase price, which shall be paid in cash, will be the fair market value of the Non-System Store. If the parties cannot agree on fair market value within a reasonable time, such fair market value shall be determined by two independent appraisers, one of whom shall be chosen by us or our affiliate and the other of whom shall be chosen by you. If such appraisers cannot agree on such fair market value, they shall jointly choose a third independent appraiser whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us or our affiliate. If you do not elect to purchase and convert the Non-System Store, we may convert and operate, or license a third party to convert and operate, the Non-System Store as a Store operating under the Marks, without incurring any liability to you.

G. Guaranty

The Guarantors must fully guarantee all of your financial and other obligations to us under this Agreement or otherwise arising from our franchise relationship with you, and agree personally to comply with this Agreement's terms, by executing the form of Guaranty attached as Exhibit B. "**Guarantors**" means each individual or Entity having a ten percent (10%) or more ownership interest (direct or indirect) in you. Each owner's name and his, her, or its percentage ownership interest (direct or indirect) in you are set forth in Exhibit C. Subject to our rights and your obligations in Section 17, you must notify us of any change in the information in Exhibit C within ten (10) days after the change occurs.

H. Your Form and Structure

As a corporation, limited liability company, or general, limited, or limited liability partnership (each, an "**Entity**"), you agree and represent that:

i. You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly exist in good standing under the laws of the state of your incorporation or formation;

ii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will, at our request, recite that this Agreement restricts the issuance and transfer of any direct or indirect ownership interests in you, and all certificates and other documents representing ownership interests in you will, at our request, bear a legend (the wording of which we may prescribe) referring to this Agreement's restrictions;

iii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will, at our request, contain a provision requiring any dissenting or non-voting interest-holders to execute all documents necessary to effectuate any action that is properly authorized under the organizational documents, operating agreement, or partnership agreement, as applicable;

iv. Exhibit C to this Agreement completely and accurately describes all of your owners and their interests (direct or indirect) in you as of the Effective Date; and

v. You may not use any Mark (in whole or in part) in, or as part of, your legal business name or email address or use any name that is the same as or similar to, or an acronym or abbreviation of, The Vitamin Shoppe name (although you may register the "assumed name" or "doing business as" name "The Vitamin Shoppe" in the jurisdictions where you are formed and qualify to do business).

I. Store Manager

Upon signing this Agreement, you must designate an individual to serve as your Store Manager (the "**Store Manager**"). You must also designate an individual to serve as your Assistant Store Manager (the "**Assistant Store Manager**"). At all times during the Term, there must be a Store Manager and Assistant Store Manager meeting the following qualifications and any other standards we set forth from time to time in the Operations Manual or otherwise communicate to you:

i. The Store Manager and Assistant Store Manager must complete the Initial Training to our satisfaction.

ii. The Store Manager is responsible for managing your business. The Store Manager must have sufficient decision-making authority to make decisions that are essential to the Store's effective and efficient operation. The Store Manager must communicate directly with us regarding any Store-related matters (excluding matters relating to labor relations and employment practices).

iii. If you want or need to change the individual designated as the Store Manager or Assistant Store Manager, you must seek a new individual (the "**Replacement Store Manager**" or "**Replacement Assistant Store Manager**" or collectively, the "**Replacement**") for that role in order to protect our brand. You must appoint the Replacement Store Manager or Replacement Assistant Store Manager within thirty (30) days after the former individual no longer occupies that position. The Replacement must attend and successfully complete our initial orientation session on the Franchise System within thirty (30) days being selected by you. You are responsible for the Replacement's compensation and travel related expenses during the orientation session. As used in this Agreement, "**Travel related expenses**" means travel-related expenses of our or your personnel, as applicable. In the case of our personnel, travel related expenses includes coach or economy airfare, local transportation (including airport transfers), accommodations in a facility subject to our approval, meals, and a daily allowance upon which we and you agree for reasonable miscellaneous expenses.

5. Site Selection, Lease, and Developing the Store

A. Site Selection and Acceptance

You must locate, evaluate, and select the Store's site. You must submit all information we request when you propose a site. We have the absolute right to reject any proposed site. We will use reasonable efforts to review and accept or reject each site you propose within thirty (30) days after we receive all requested information and materials and have visited the proposed site. If we do not accept the site in writing within such thirty (30) days, the site will be deemed rejected.

Our recommendation or acceptance of a site indicates only that we believe the site is not inconsistent with sites that we regard as favorable or that otherwise have been successful sites for the Stores in the past. Applying criteria appearing effective with other sites might not accurately reflect the potential of all sites, and demographic or other factors included in or excluded from our criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the particular site fails to meet your expectations. Upon accepting a proposed site that you have secured, we will list the accepted site's location as the Store's address in Exhibit A.

You may not relocate the Store to a new site without our prior written consent, which we may grant or deny as we deem best. We may condition relocation approval on (1) the new site

and its lease being acceptable to us, (2) your paying us a reasonable relocation fee (as set forth in the Operations Manual), (3) your reimbursing any costs we incur during the relocation process, (4) your signing our then-current form of franchise agreement to govern the Store's operation at the new site for the remainder of the existing franchise term, (5) your signing a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) your continuing to operate the Store at its original site until we authorize its closure, and (7) your taking, within the timeframe we specify and at your own expense, all action we require to de-brand and de-identify the Store's former premises so it no longer is associated in any manner (in our opinion) with the Franchise System and the Marks.

B. Lease Negotiation and Acceptance

You must send us the proposed lease or sublease (and any renewals and amendments of the lease or sublease) (collectively, the "**Lease**") that will govern your occupancy and lawful possession of the Store's site for our written acceptance, which we will not unreasonably withhold, at least thirty (30) days before you intend to sign it. The Lease must either (i) include the Lease Rider attached to this Agreement as Exhibit D or (ii) provide within its body the terms and conditions found in the Lease Rider. You may not sign any Lease we have not accepted in writing. If we do not accept the proposed Lease within thirty (30) days after we receive a complete copy, the Lease will be deemed rejected. You acknowledge that our written acceptance of the Lease is not a guarantee or warranty, express or implied, of the Store's success or profitability or of the suitability of the Lease for your business purposes. Such acceptance indicates only that we believe the site and the Lease terms adequately protect our interests and/or the interests of other franchisees in The Vitamin Shoppe system, to the extent those interests are implicated in the Lease.

After your Lease is executed, you must send us prior notice of any revisions to its terms that you or your landlord might propose, and we have the right to negotiate, and/or accept or reject, those proposed revisions before they become effective.

C. Development of Store

You must within six (6) months after the date you sign the Lease (except as otherwise provided in any Development Rights Rider to which we and you (or your affiliate) are parties) (the "**Opening Deadline**"), but subject to the potential extensions described below in this Section: (i) secure all financing, and obtain all permits and licenses, required to construct and operate the Store, (ii) construct all required improvements to the site and decorate the Store in compliance with our approved plans and specifications, (iii) purchase or lease and install all required Operating Assets (defined below), (iv) purchase an opening inventory of required, authorized, and approved products and supplies, (v) complete all required training, and (vi) open your Store for business in accordance with all requirements of this Agreement. If we determine, in our sole discretion, that you in good faith have used, and are continuing to use, your best efforts to open and commence operations of your Store, then upon your written request, and execution of the withdrawal authorization form required by us, we may permit you to extend, for up to 12 months, the date by which you must open and commence operating your Store. We are not obligated to extend the opening date. You must (i) make your written request for an extension no less than ninety (90) days prior to the required opening date and (ii) have paid the

entire Initial Franchise Fee. Only then will you be eligible for an extension which consists of monthly withdrawals by us from your account for the extension period (in accordance with Section 6.D. per the following schedule: One Thousand Five Hundred Dollars ($1,500) per month for each of the first 6 months of any extension and Two Thousand Five Hundred Dollars ($2,500) per month for months 7-12 of any extension. The monthly extension fees due under this Section shall be drafted from the account specified in such withdrawal authorization form until your Store opens. The monthly extension fees paid under this Section shall not be refunded under any circumstances and shall not be credited against any fee payable to us. Notwithstanding the foregoing, if we grant you any extension under this Section and we subsequently determine, in our sole reasonable discretion, that you are not using your best efforts to open and commence operations of your Store within a reasonable period of time following the date of our grant of an extension, we may terminate the extension grant to you. The termination of any extension grant by us shall be deemed a default under Section 19.B(ii) of this Agreement.

You must develop the Store at your expense. We will give you construction guidelines and mandatory specifications and layouts for a Store (collectively, "**Plans**"), including requirements or recommendations (as applicable) for dimensions, design, interior layout, décor, signage, Operating Assets and planograms for product placement. All other decisions regarding the Store's development and layout, design, color scheme, finishes, improvements, décor, and Operating Assets are subject to our review and prior written approval. Our Plans might not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations (collectively, "**Laws**"), including those arising under the Americans with Disabilities Act, or any Lease requirements or restrictions. You are solely responsible for complying with all Laws and must inform us of any changes to the Store's specifications that you believe are necessary to ensure such compliance.

You must adapt the Plans for the Store (the "**Adapted Plans**") and make sure they comply with all Laws and Lease requirements and restrictions. You must hire (and contract directly with) an architect we approve to prepare the Adapted Plans and pay all related architect fees. The amount of such fees depends on the project's scope and nature. You must send us the Adapted Plans for our written approval before beginning the Store's build-out and all revised or "as built" plans and specifications prepared during the Store's construction and development. You may not begin the Store's build-out until we approve the Adapted Plans in writing. Our review of the Adapted Plans is limited to reviewing your compliance with our Plans. Our review is not intended or designed to assess your compliance with Laws or Lease requirements and restrictions; compliance in those areas is your responsibility. You must develop the Store in accordance with the Adapted Plans we have approved in writing. We own the Plans and all Adapted Plans. During the Store's build-out, we will physically inspect the Store or require you to send us pictures and images (including recordings) of the Store's interior and exterior so we can review your development of the Store in accordance with our Brand Standards.

You agree at your expense to construct, install all trade dress and Operating Assets in, and otherwise develop the Store according to our standards, specifications, and directions. The Store must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Store (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and display materials we approve from time to time.

You agree to purchase or lease from time to time only approved brands, types, and models of Operating Assets according to our standards and specifications and, if we specify, only from one or more suppliers we designate or approve (which may include or be limited to us and/or certain of our affiliates). "**Operating Assets**" means all required furniture, fixtures, signs, and equipment (including components of and required Technology for the Computer System we periodically require for the Store and the business you operate under this Agreement.

D. Opening

You must open the Store for business on or before the Opening Deadline, provided, however, you may not do so until:

i. we or our designee inspects and approves in writing the Store as having been developed in accordance with our specifications and standards. You must give us at least thirty (30) days' prior written notice of the Store's planned opening date and also notify us in writing when the Store is ready for inspection or review. If we or our designee does not inspect or review the Store within thirty (30) days after you deliver notice that the Store is ready for inspection or review, or if we or our designee does not comment in writing within seven (7) business days after the inspection or review, then the Store is deemed approved to open. Inspection and approval are limited to ensuring your compliance with our standards and specifications; approval is not a representation that the Store in fact complies with our standards and specifications or a waiver of our right to enforce any provision of this Agreement. Inspection and approval likewise are not intended or designed to assess compliance with Laws; compliance with Laws is your responsibility. We will not unreasonably withhold our approval of the Store;

ii. your Store Manager has completed to our satisfaction the initial training programs described in Section 7.A;

iii. the Store has sufficient employees, trained by you, to manage and operate the Store on a day-to-day basis in compliance with Brand Standards;

iv. you have satisfied all state and federal permitting, licensing, and other legal requirements for the Store's lawful operation and, upon our request, have sent us copies of all permits, licenses, and insurance policies required by this Agreement;

v. all amounts due to us, our Affiliates, and principal suppliers have been paid;

vi. you are not in default under any agreement with us, our Affiliates, or principal suppliers; and

vii. you have met all other opening requirements we have established in our Operations Manual (defined in Section 7.F).

6. Fees

A. Initial Franchise Fee

You must pay us an initial franchise fee (the "**Initial Franchise Fee**") set forth in Exhibit A, which is payable upon signing of this Agreement. The Initial Franchise Fee is not refundable under any circumstances.

B. Royalty

Subject to the Royalty described below, you agree to pay us, on or before the fifteenth (15th) day of each calendar month (the "**Payment Day**"), a royalty ("**Royalty**") equal to five percent (5%) of the Store's Net Revenue during the preceding fiscal month. In this Agreement, "Net Revenue" means all revenue received or otherwise derived from operating your Business, whether from cash, check, credit or debit card, gift card or gift certificate, loyalty, or other credit transactions, Apple Pay, PayPal, Venmo or any other form of payment, and regardless of collection or when you actually provide the products or services in exchange for the revenue. Net Revenue does include any bona fide returns and credits that are actually provided to customers. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Store, that will be added to Total Revenue at an amount equal to the imputed net revenue that the insurer used to calculate those proceeds. Net Revenue does not include (a) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority; or (b) any sales credited from us for online sales commissions from direct to consumer orders, web auto delivery program orders, or store replenishment auto delivery program orders.

All transactions must be entered into the Computer System at the full, standard retail price for purposes of calculating Net Revenue. In addition, Net Revenue is reduced by (i) the value of promotional or marketing discounts offered to the public (with our prior approval), and (ii) the amount of any credits the Store provides in accordance with the terms and conditions set forth in the Operations Manual. Each charge or sale upon credit will be treated as a sale for the full price on the day the charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift cards we approve for offer and sale at Stores is included in Net Revenue when the gift card is used to pay for services and products. Your Store may not issue or redeem any gift certificates, coupons, or gift, loyalty, or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We may grant or withhold our approval as we deem best.

C. Technology Fee

You agree to pay us, on or before the Payment Day, a Technology Fee ("**Technology Fee**") which is currently equal to Eight Hundred Fifty Dollars ($850) per fiscal month but we can increase this fee if our costs increase. The Technology Fee covers the costs of required software, network connectivity, infrastructure support, intranet access, software fees, IT management fees, mobile device management and other IT expenses. The Technology Fee is due and payable at the same time and in the same manner as the Royalty or in such other manner we periodically specify.

D. Payment Method and Timing

You agree to sign and send us the documents we periodically require, or enable the electronic mechanism, authorizing us to debit your business checking or other account automatically for the Royalty, Technology Fee, Brand Fund contribution, and other amounts due under this Agreement and any related agreement between us (or our affiliates) and you. We will debit your account on or before the Payment Day for the Royalty, Technology Fee, Brand Fund contribution, and other amounts due. Funds must be available in the account before the Payment Day for withdrawal by electronic transfer. We may require you to obtain, at your expense, overdraft protection for your bank account in an amount we specify. You must reimburse any "insufficient funds" charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Store's Net Revenue when required, we may debit your account for one hundred twenty-five percent (125%) of the Royalty, Technology Fee, and Brand Fund contribution we debited for the previous payment period. If the amount we debit from your account is less than the amount you actually owe us for the payment period (once we determine the Store's actual Net Revenue), we will debit your account for the balance due on the day we specify. If the amount we debit from your account is greater than the amount you actually owe us for the payment period (once we determine the Store's actual Net Revenue), we will credit the excess, without interest, against the amount we may debit from your account for the following payment period.

We have the right, at our sole option upon notice to you, to change from time to time the timing and terms for payment of Royalties, Technology Fees, Brand Fund contributions, and other amounts due to us under this Agreement. You may not subordinate to any other obligation your obligation to pay us Royalties, Technology Fees, Brand Fund contributions, or any other amount due under this Agreement.

E. Administrative Fee and Interest on Late Payments

In addition to our other remedies, including, without limitation, the right to terminate this Agreement under Section 19, if you fail to pay (or make available for withdrawal from your account) any amounts you owe us or our affiliates relating to this Agreement or the Store, those amounts will bear interest, accruing as of their original due dates, at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the Law allows, whichever is less. In addition, you must pay us a Two-Hundred-Fifty Dollar ($250) administrative fee for each payment not made to us or our affiliate when due (or for each dishonored payment) to cover the increased costs and expenses incurred due to your failure to pay the amounts when due.

F. Application of Payments and Right of Set-Off

Notwithstanding any designation you make, we may apply any of your payments (whether made by debit or otherwise) to any of your past due indebtedness to us or our affiliates relating to this Agreement or the Store. We may set off any amounts you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners, whether in connection with this Agreement or otherwise.

7. Training, Guidance, and Assistance

A. Initial Orientation and Training

Your Store Manager and Assistant Store Manager must complete to our satisfaction our initial training program ("**Initial Training**") on operating a Store at a company-owned Store that we designate (or another location we designate), and/or through video and other electronic means, prior to the Store opening. We may charge our then-current training fee for each additional person you desire to send to Initial Training. Initial Training will last for the time we specify and focuses on our philosophy, Brand Standards, and the material aspects of operating a Store, excluding aspects relating to labor relations and employment practices.

You are responsible for paying your employees' wages, benefits, and travel related expenses while they attend training. We will give you information about the number of hours your employees are actively involved in classroom and in-Store training, and you are responsible for evaluating any other information you believe you need to ensure your employees are accurately paid during training. You also are responsible for maintaining workers' compensation insurance over your employees during training and must send us proof of that insurance at the outset of the training program.

B. Retraining

If your Store Manager or Assistant Store Manager fails to complete Initial Training to our satisfaction, or we determine after an inspection that retraining is necessary because the Store is not operating according to Brand Standards, he or she may attend a retraining session for which we may charge our then-current training fee. You are responsible for all employee compensation and travel related expenses during retraining. We may terminate this Agreement if the Store does not commence operation by the Opening Deadline with a fully-trained staff. The Initial Franchise Fee is not refundable under any circumstances.

You may request additional or repeat training for your Store Manager or Assistant Store Manager at the end of Initial Training if they do not feel sufficiently trained to operate the Store. We and you will jointly determine the duration of any additional training, which is subject to our personnel's availability. You must pay our then-current training fee for additional or repeat training.

C. Opening Set-Up and Support

We will send an "opening team" (consisting of one or more people) to the Store in connection with its opening to the public for business for at least one (1) week (typically starting before and continuing after actual opening), as we deem best under the circumstances, to provide on-site support for merchandising and set-up and prepare the Store for opening and to assist during the first week of operations. We will pay our opening team's wages and travel related expenses. However, if you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase (excluding training relating to labor relations and employment practices), you must pay our personnel's daily charges (including wages) and travel related expenses. We may delay the Store's opening until all required training has been satisfactorily completed.

D. Ongoing and Supplemental Training/Meetings, Conferences and Conventions

We may require your Store Manager and Assistant Store Manager to attend and complete satisfactorily various training courses and programs offered periodically during the Term by us or third parties at the times and locations we designate. You are responsible for their compensation and travel related expenses during their attendance. We may charge our then-current fee for continuing and advanced training. If you request any training courses and programs to be provided locally, then subject to our training personnel's availability, you must pay our then-current training fee and our training personnel's travel related expenses.

Besides attending and/or participating in various training courses and programs, at least one of the representatives we designate (an Owner or Store Manager) shall be required to attend no more than four (4) meetings, conferences or conventions for Store franchisees per year at locations we designate. You must pay all travel related expenses to attend. You must pay any meeting fee we charge even if your representative does not attend (whether or not we excuse that non-attendance).

E. Training for Store Employees

You must properly train all Store employees to perform the tasks required of their positions. We may develop and make available training tools and recommendations for you to use in training the Store's employees to comply with Brand Standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in Brand Standards.

We may periodically and without prior notice review the Store's performance to determine if the Store meets our Brand Standards. If we determine that the Store is not operating according to Brand Standards, we may, in addition to our other rights under this Agreement, recommend that you retrain one or more Store employees.

F. General Guidance and the Operations Manual

We periodically will advise you or make recommendations regarding the Store's operation with respect to:

i. standards, specifications, operating procedures, and methods that Stores use;

ii. purchasing required or recommended Operating Assets and other products, services, supplies, and materials;

iii. supervisory employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Store employees); and

iv. accounting, advertising, and marketing.

We may guide you through our pre-opening manual, operations manual and other technical manuals ("**Operations Manual**"), in bulletins or other written materials, by electronic media, by telephone consultation, and/or at our office or the Store. If you request and we agree to provide, or we determine that you need, additional or special guidance, assistance, or training, you agree to pay our then-applicable charges, including reasonable training fees and our personnel's daily charges and travel related expenses. Any specific ongoing training, conventions, advice, or assistance we provide does not obligate us to continue providing that training, convention, advice, or assistance, all of which we may discontinue and modify at any time.

We will give you access to our Operations Manual, which will be made available to you through the Intranet (defined in Section 8.F below) or another restricted website to which you will have password access. Any passwords or digital identifications necessary to access the Operations Manual are considered part of Confidential Information. The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules we periodically issue for developing and operating a Store ("**Brand Standards**") and information on your other obligations under this Agreement. We may modify the Operations Manual periodically to reflect changes in Brand Standards, but those modifications will not alter your fundamental rights or status under this Agreement. You agree to keep current your copy of the Operations Manual (if delivered in hardcopy) and timely communicate all updates to your employees. You must, as applicable, monitor the website periodically for updates to the Operations Manual or Brand Standards. You agree to keep all parts of the Operations Manual secure and restrict access to any passwords for accessing the Operations Manual. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual's contents are confidential and not to disclose any part of the Operations Manual to any person other than Store employees and others needing access in order to perform their duties, but only if they agree to maintain its confidentiality by signing a form of confidentiality agreement. We have the right to pre-approve the form used (an acceptable sample of which is attached as Exhibit E). You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual, except for certain forms specified in the Operations Manual.

While we have the right to pre-approve the form of confidentiality agreement you use with Store employees and others having access to our Confidential Information in order to protect that Confidential Information, under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations. In addition, Brand Standards do not include any personnel policies or procedures, or any Store security-related policies or procedures, that we (at our option) may make available to you in the Operations Manual or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your Store's operation. You and we agree that we do not dictate or control labor or employment matters for franchisees and Store employees, and we are not responsible for the safety and physical security of Store employees, guests, and visitors.

G. Delegation

We have the right from time to time to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether they are our affiliates, agents, or independent contractors with which we contract to perform such obligations.

8. Store Operation and Brand Standards

A. Condition and Appearance of Store

You may not use, or allow another to use, any part of the Store for any purpose other than operating the Store in compliance with this Agreement. You must place or display at the Store (interior and exterior), according to our guidelines, only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials we periodically specify. You agree to maintain the condition and appearance of the Store, the site, and the Operating Assets in accordance with Brand Standards. Without limiting that obligation, you must take the following actions during the Term at your own expense: (i) thorough cleaning, repainting, and redecorating of the Store's interior and exterior at intervals we periodically specify and at our direction; (ii) interior and exterior repair of the Store and the site as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out, unsafe, non-functioning, or obsolete Operating Assets at intervals we periodically specify (or, if we do not specify an interval for replacing an Operating Asset, as that Operating Asset needs to be replaced in order to provide services required to be offered by the Stores in compliance with Brand Standards).

In addition to your obligations described above in clauses (i) through (iii), we periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Store and/or incur higher operating costs. You agree to implement any changes in mandatory Brand Standards within the time period we request as if they were part of this Agreement on the Effective Date. However, except for:

(a) changes in the Computer System;

(b) changes in signage and logo (i.e., Store exterior and interior graphics);

(c) changes provided in Sections 17.C.ii.(f) and (h) in connection with a transfer;

(d) changes required by the Lease or applicable Law; and

(e) your obligations in clauses (i) through (iii) in the first paragraph of this Section 8.A,

for all of which the timing and amounts are not limited during the Term, we will not obligate you to make any capital modifications during the last two (2) years of the Term, unless the proposed capital modifications during those last two (2) years (the amounts for which are not limited) are in connection with Store upgrades, remodeling, refurbishing, and similar activities for your acquisition of a successor franchise (as provided in Section 18.iii).

This means that, besides the rights we reserve above in clauses (a) through (e), we may require you substantially to alter the Store's appearance, layout, and/or design, and/or replace a material portion of the Operating Assets, in order to meet our then-current requirements and then-current

Brand Standards for new Stores. You acknowledge that this could obligate you to make extensive structural changes to, and significantly remodel and renovate, the Store, and/or to spend substantial amounts for new Operating Assets. You agree to spend any sums required in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining Term). Within sixty (60) days after receiving written notice from us, you must prepare plans according to the standards and specifications we prescribe, using architects and contractors we designate or approve, and you must submit those plans to us for written approval. You agree to complete all work according to the plans we approve within the time period we reasonably specify and in accordance with this Agreement.

We also may from time to time require you to participate in certain test programs for new services, products, and/or Operating Assets. This could obligate you to spend money for new Operating Assets and to incur other operating costs associated with the Store. We need not reimburse you for those items. You agree to maintain and timely send us any records and reports we require related to the test programs. We may discontinue any test programs before their scheduled completion dates and choose not to implement any changes to the Franchise System.

B. Compliance with Applicable Laws and Good Business Practices

You must secure and maintain all licenses, permits, and certificates required for the Store's operation and operate the Store in full compliance with all Laws, including government regulations relating to employment, workers' compensation and unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales and service taxes. Any advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. The Store must in all dealings with its customers, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You may not engage in any business or advertising practice that could injure our business and the goodwill associated with the Marks, the Franchise System, and Stores. You will be liable to the applicable legal authorities for your failure to do so (and to us if we are brought into the matter because of your failure). You must notify us in writing immediately if (i) any legal charge is asserted against you or the Store (even if there is no formal proceeding), (ii) any action, suit, or proceeding is commenced against you or the Store, (iii) you receive any report, citation, or notice regarding the Store's failure to comply with any licensing, health, cleanliness, or safety Law or standard, or (iv) any bankruptcy or insolvency proceeding or an assignment for the benefit of creditors is commenced by or against you, your owners, or the Store.

C. Compliance with Brand Standards

You agree to comply with all Brand Standards, as we may periodically modify them, as if they were part of this Agreement. You may not offer, sell, or provide at or from the Store any services or products not authorized in the Operations Manual. You must offer, sell, and provide all services and products, including all Private Label Products, we prescribe from time to time. Brand Standards may direct any aspect of the Store's operation and maintenance, including any one or more of the following:

i. required and/or authorized services and products; unauthorized and prohibited services and products; and inventory requirements. We always have the right to approve or disapprove in advance all items and services to be used or sold by the Store. We may withdraw our approval of previously-authorized products and services;

ii. sales, marketing, advertising, and promotional programs and the materials and media used in those programs, including participating in and complying with the requirements of any special advertising, marketing, and promotional programs we periodically specify;

iii. adequate staffing levels for the Store to operate the Store in compliance with Brand Standards, appearance of Store personnel, and courteous service to customers. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Store employees are exclusively under your control at the Store. You must communicate clearly with Store employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of Stores, and our affiliates are not their employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. You must obtain an acknowledgment (in the form we specify or approve) from all Store employees that you (and not we or our affiliates) are their employer;

iv. standards, procedures, and requirements for responding to customer complaints, including reimbursing us promptly if we resolve a customer complaint because you fail to do so as or when required;

v. maximum, minimum, or other pricing requirements for services and products the Store sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all Stores must participate, and price advertising policies, in each case to the maximum extent the law allows;

vi. standards and recommendations for training your Store's supervisory personnel to follow Brand Standards;

vii. use and display of the Marks at the Store and on products and supplies;

viii. quality-assurance, safety-audit, guest-satisfaction, and "mystery-shop" programs, including your using and paying directly our designated third-party service providers;

ix. minimum days and hours of operation;

x. accepting credit and debit cards and other payment systems;

xi. issuing and honoring/redeeming gift certificates, coupons, and gift, loyalty cards and administering customer loyalty and similar programs. You must participate in, and comply with the requirements of, our gift card and other customer loyalty programs. You agree that we may draft from your bank account all monies paid to you for gift cards and hold those monies until the gift cards are redeemed at a Store. However, we may keep any prepaid amounts that are not used by customers to the extent allowed by Law;

xii. standards and procedures for using blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio, and video-sharing sites, and other similar social-networking media or tools (collectively, "**Social Media**") that in any way reference the Marks or involve the Store (except to the extent our standards or procedures are prohibited under Law); and

xiii. any other aspects of operating and maintaining the Store that we determine are useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the Stores.

Brand Standards will not include any employment-related policies or procedures or dictate or regulate the employment terms and conditions for the Store's employees. Any information we provide (in the Operations Manual or otherwise) concerning employment-related policies or procedures, or relating to employment terms and conditions for Store employees, is only a recommendation, and not a requirement, for your optional use.

As described in Section 8.A above, we have the right periodically to modify and supplement Brand Standards, which may require you to invest additional capital in the Store and incur higher operating costs. Those Brand Standards will constitute legally binding obligations on you when we communicate them. Although we retain the right to establish and modify periodically the Brand Standards you have agreed to follow, you retain complete responsibility and authority for the Store's management and operation and for implementing and maintaining Brand Standards at the Store.

You acknowledge the importance of operating the Store in full compliance with this Agreement and Brand Standards. You further acknowledge that your deviation from any contractual requirement, including any Brand Standard, is a violation of this Agreement and will trigger incalculable administrative and management costs for us to address the violation (separate and apart from any damages your violation might cause to the Franchise System, our business opportunities, or the goodwill associated with the Marks). Therefore, you agree to compensate us for our incalculable administrative and management costs by paying us Two-Hundred-Fifty Dollars ($250) for each deviation from a contractual requirement, including any Brand Standard, cited by us (**the "Non-Compliance Fee"**). (The Non-Compliance Fee does not apply to payment defaults for which we may charge late fees and interest under Section 6.D above.) We and you deem the Non-Compliance Fee to be a reasonable estimate of our administrative and

management costs and not a penalty. We may debit your bank account for Non-Compliance Fees or set off monies otherwise due and payable to you to cover the payment of Non-Compliance Fees. We must receive the Non-Compliance Fee within five (5) days after we notify you that we are charging it due to your violation. We need not give you a cure opportunity before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not prevent us from seeking to recover damages to the Franchise System, our business opportunities, or the goodwill associated with the Marks due to your violation, seeking injunctive relief to restrain any subsequent or continuing violation, and/or formally defaulting you and terminating this Agreement under Section 19.B.

D. Approved Services, Products, and Suppliers

We may periodically designate and approve standards, specifications, brands, models, manufacturers, suppliers, and/or distributors for the Operating Assets and other services and products we periodically authorize for use or sale by Stores. You may not offer, sell, or otherwise distribute at the Store's premises or another location any services or products that we have not authorized. You must purchase or lease all Operating Assets and other services and products you use or sell at the Store only according to our Brand Standards and, if we require, only from suppliers or distributors we designate or approve (which may include or be limited to us, certain of our affiliates, and/or other restricted sources). We and/or our affiliates may derive revenue based on your purchases and leases, including, without limitation, from charging you (at prices exceeding our and their costs) for services and products we or our affiliates sell you and from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by suppliers that we designate, approve, or recommend for some or all Store franchisees. We and our affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes we and our affiliates deem appropriate.

If you want to purchase or lease any Operating Assets or other products or services from a supplier or distributor we have not then approved (if we require you to buy or lease the product or service only from an approved supplier or distributor), then you must establish to our reasonable satisfaction that the product or service is of equivalent quality and functionality to the product or service it replaces and the supplier or distributor is, among other things, reputable, financially responsible, and adequately insured for product liability claims. You must pay upon request any actual expenses we incur to determine whether or not the products, services, suppliers, or distributors meet our requirements and specifications. If we do not notify you within 60 days that a proposed supplier has been approved, it will be considered disapproved. We may condition our written approval of a supplier or distributor on requirements relating to product quality and safety, prices, consistency, warranty, reliability, financial capability, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, at our option, either directly to us or to any third party we designate for testing. If we approve a supplier or distributor you recommend, you agree that we may allow other Stores to purchase or lease the Operating Assets or other products or services from those suppliers or distributors without limitation and without compensation to you. Despite the foregoing, we may limit the number of approved suppliers and distributors with which you may

deal, designate sources you must use, and refuse any of your requests for any reason, including, without limitation, because we have already designated an exclusive source (which might be us or one of our affiliates) for a particular item or service or believe that doing so is in the Store network's best interests. We make no guaranty, warranty, or promise that we will obtain the best pricing or most advantageous terms on behalf of Stores. We also do not guaranty the performance of suppliers and distributors to Stores. We are not responsible or liable if the products or services provided by a supplier or distributor fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

We have the right (without liability) to consult with your suppliers about the status of your account with them and to advise your suppliers and others with whom you, we, our affiliates, and other franchisees deal that you are in default under any agreement with us or our affiliates (but only if we or our affiliate has notified you of such default).

E. Computer System

You agree to obtain from us or our Affiliate the computer hardware and software, point-of-sale system, and other computer-related accessories and peripheral equipment we periodically specify, which consists of, at a minimum of a two registers, two pin pads, one mini PC, two tablets, one Admin PC, scanners; one for each register and Mobile POS device, and at least one for zero scans (shelf talker), one laser printer, one tag printer, and network equipment and cabling (the "**Computer System**") and to use the Computer System in the operation of the Store. You must maintain the Computer System's continuous operation. We will have unlimited access to all information maintained on the Computer System (excluding matters relating to labor relations and employment practices) and to the content of any The Vitamin Shoppe e-mail accounts we provide you.

We may periodically modify the Computer System's specifications and components. Our modification of Computer System specifications, and/or other technological developments or events, may require you to purchase, lease, or license new or modified computer hardware, software, peripherals, and other components and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, you must incur the costs to obtain the computer hardware, software, peripherals, and other components comprising the Computer System (and additions and modifications) and required service or support. Within ninety (90) days after we deliver notice to you, you must obtain the Computer System components we designate and ensure that your Computer System, as modified, is functioning properly.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed or maintained by or for us (including the Intranet), on your signing a Technology agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates periodically prescribe to regulate your use of, and our (or our affiliates') and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you upfront and ongoing fees for any other required or recommended proprietary software or technology we or

our affiliates license to you and for other Computer System maintenance and support services provided during the Term.

F. Intranet

We may, at our option, establish and maintain an Intranet. We will issue Brand Standards for the Intranet's use. Those Brand Standards will address, among other things, (1) restrictions on using abusive, slanderous, or otherwise offensive language in electronic communications, (2) restrictions on communications among franchisees endorsing or encouraging breach of any franchisee's franchise agreement, (3) confidential treatment of materials we transmit via the Intranet, (4) password protocols and other data security precautions, (5) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, (6) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet, and (7) our right to remove any posts we consider to be inconsistent with our Brand Standards for the Intranet's use. We expect to adopt and adhere to a reasonable privacy policy. However, as the Intranet's administrator, we have the right to access and view any communication posted on the Intranet. We will own all intellectual property and other rights in the Intranet and all information it contains, including its domain name or URL, the log of "hits" by visitors, any personal or business data visitors supply, and all information relating to the Store's customers, whether that information is contained on your Computer System or our (or our designee's) computer system (collectively, the "**Data**").

After we notify you that the Intranet has become functional, you must establish and continually maintain electronic connection with the Intranet allowing us to send messages to and receive messages from you. Your obligation to maintain connection with the Intranet applies during the entire Term (unless we dismantle the Intranet or suspend your access). You must pay our then-current monthly or other fee to participate in the Intranet or as we otherwise require to maintain and operate the Intranet (if, or to the extent, the Brand Fund does not pay for those costs). If you fail to pay when due any required amount, we may (in addition to our other rights under this Agreement) temporarily suspend your access to any chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach.

9. Marks

A. Ownership and Goodwill of Marks

Your right to use the Marks is derived only from this Agreement and is limited to your operating the Store according to this Agreement and all mandatory Brand Standards we prescribe during the Term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our (and our licensor's) rights in the Marks. Any use of the Marks relating to the Store, and any goodwill that use establishes, are for our (and our licensor's) exclusive benefit. We (and our licensor) may take the action necessary to enforce all trademark use obligations under this Agreement. This Agreement does not confer any goodwill or other interests in the Marks upon you, other than the right to operate the Store according to this Agreement. All provisions in this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we periodically authorize you to use. You may not at any time during or after the Term

contest or assist any other person to contest the validity, or our (or our licensor's) ownership, of the Marks.

B. Limitations on Use of Marks

You agree to use the Marks as the Store's sole identification, subject to the notices of independent ownership we periodically designate. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, homepage, electronic address, metatag, or otherwise in connection with any website or other online presence without our consent, (v) in any user name, screen name, or profile in connection with any Social Media sites, except in compliance with our guidelines set forth in the Operations Manual or otherwise communicated to you, or (vi) in any other manner we have not expressly authorized in writing. You may not use any Mark to advertise the transfer, sale, or other disposition of the Store or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You must give the notices of trademark and service mark registrations we periodically specify and obtain any fictitious or assumed name registrations that applicable Law requires. You may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Marks (unless the Marks are readily removable from such property) and must advise your proposed lenders of this restriction. Any unauthorized use of the Marks shall not only constitute a material breach of this Agreement entitling us to terminate this Agreement, but we will also have the right to avail ourselves of all remedies available to us including, without limitation, seeking monetary damages against you.

To the extent you use any Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of Store employees and that we, as the franchisor of Stores, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Store employees that you (and not we or our affiliates) are their employer.

C. Notification of Infringements and Claims

You agree to notify us immediately of any actual or apparent infringement or challenge to your use of any Mark, any person's claim of any rights in any Mark (or any identical or confusingly similar trademark), or unfair competition relating to any Mark. You may not communicate with any person other than us and our licensor, our respective attorneys, and your attorneys regarding any infringement, challenge, or claim. We and our licensor may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions we and our, and our licensor's, attorneys deem necessary or advisable to protect and maintain our (and our licensor's) interests in any litigation

or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our (and our licensor's) interests in the Marks.

D. Discontinuance of Use of Marks

If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse your expenses to comply with those directions (such as your costs to change signs or to replace supplies for the Store), any loss of revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

E. Indemnification for Use of Marks

We agree to reimburse your damages and expenses incurred in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided your use has been consistent with this Agreement, the Operations Manual, and Brand Standards communicated to you and you have timely notified us of, and complied with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from or relating to your use of any Mark under this Agreement.

10. Confidential Information

We and our affiliates possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law, relating to developing and operating Stores (the "**Confidential Information**"), which includes, but is not limited to:

i. information in the Operations Manual and our Brand Standards;

ii. layouts, designs, planograms and other Plans for the Stores;

iii. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating the Stores;

iv. marketing research and promotional, marketing, and advertising programs for the Stores;

v. strategic plans, including expansion strategies and targeted demographics;

vi. knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, services, products, including Private Label Products, materials, and supplies that Stores use and sell;

vii. knowledge of the operating results and financial performance of Stores other than the Store;

viii. customer solicitation, communication, and retention programs, along with Data used or generated in connection with those programs;

ix. all Data and other information generated by, or used or developed in, operating the Store, including Consumer Data, and any other information contained from time to time in the Computer System or that visitors (including you) provide to the System Website; and

x. any other information we reasonably designate as confidential or proprietary.

You will not acquire any interest in any Confidential Information, other than the right to use certain Confidential Information as we specify in operating the Store during the Term according to Brand Standards and this Agreement's other terms and conditions. You acknowledge that using any Confidential Information in another business would constitute an unfair method of competition with us and our affiliates, suppliers, and franchisees. You acknowledge and agree that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you, your owners, and your employees agree, and you and they do agree:

i. not to use any Confidential Information in another business or capacity and at all times to keep Confidential Information absolutely confidential, both during and after the Term (afterward for as long as the information is not generally known in the industry);

ii. not to make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

iii. to adopt and implement all reasonable procedures we periodically specify to prevent unauthorized use or disclosure of Confidential Information, including disclosing it only to Store personnel and others needing to know the Confidential Information in order to operate the Store and using confidentiality and non-disclosure agreements with those having access to Confidential Information. (We have the right to pre-approve the forms of agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of the Stores. Under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations or employment practices); and

iv. not to sell, trade, or otherwise profit in any way from the Confidential Information (including by selling or assigning any Consumer Data or related information or Data), except during the Term using methods we have approved.

"Confidential Information" does not include information, knowledge, or know-how that lawfully is or becomes generally known in the industry or that you knew from previous business experience before we gave you access to it (directly or indirectly) or before you began training or

operating the Store. If we include any matter in Confidential Information, anyone claiming it is not Confidential Information must prove that the exclusion in this paragraph applies.

11. Consumer Data

You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers ("**Consumer Data**") and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all Laws governing the use, protection, and disclosure of Consumer Data. If there is a Data Security Incident at the Store, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and The Vitamin Shoppe brand (including giving us or our designee access to your Computer System, whether remotely or at the Store). We (and our designated affiliates) have the right, but no obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts. If we determine that any Data Security Incident results from your failure to comply with this Agreement or any requirements for protecting the Computer System and Consumer Data, you must indemnify us under Section 21.E. "**Data Security Incident**" means any act that initiates either internally or from outside the Store's computers, point-of-sale terminals, and other technology or networked environment and violates the Law or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the Franchise System, Stores, or their Data or to view, copy, or use Consumer Data or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial or service; unauthorized use of a system for processing or storage of Data; and changes to system hardware, firmware, or software characteristics without our knowledge, instruction, or consent.

12. Innovations

All ideas, concepts, techniques, or materials relating to the Store, whether or not protectable intellectual property and whether created by or for you or your owners, employees, or contractors ("**Innovations**"), must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any Innovation does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of and all related rights to that Innovation to us and agree to sign (and to cause your owners, employees, and contractors to sign) whatever assignment or other documents we periodically request to evidence our ownership and to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating the Store or otherwise without our prior written approval.

13. Exclusive Relationship

You acknowledge that we granted you the rights under this Agreement in consideration of and reliance upon your and your owners' agreement to deal exclusively with us with respect to the services and products that the Stores offer and sell. You therefore agree that, during the Term, neither you, your owners, nor any members of your or their Immediate Families (defined below) will:

i. have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange and representing less than five percent (5%) of the number of shares of that class of securities issued and outstanding;

ii. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

iii. directly or indirectly loan any money or other thing of value, or guarantee any other person's loan, to any Competitive Business or any owner, director, officer, manager, or employee of any Competitive Business, wherever located or operating; or

iv. divert or attempt to divert any actual or potential business or customer of the Store to a Competitive Business.

The term "**Competitive Business**," as used in this Agreement, means any (a) business that provides vitamins, sports nutrition, supplements and other health and wellness products or services to customers as their primary business, or (b) business granting franchises or licenses to others to operate the type of business described in clause (a), other than the Store operated under a franchise agreement with us. The term "**Immediate Family**" includes the named individual, his or her spouse, and all children of the named individual or his or her spouse. You agree to obtain similar covenants from your senior personnel whom we specify, including officers and directors, by having them sign the form of agreement we specify or pre-approve. We may pre-approve the forms of agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of Stores. Under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations or employment practices.

14. Advertising and Marketing

A. Market Introduction Program

You must participate in a market introduction program for the Store. We expect this program to continue for approximately sixty (60) days after the Store opens (although we may specify a different timeframe). We will consult with you about the type of market introduction program that we believe is most suitable for your Store's market and will create and implement

the program for you. The market introduction program will be implemented according to Brand Standards and our other requirements. You must pay us Ten Thousand Dollars ($10,000) for the market introduction program. We will spend that money on your behalf in the Store's market in compliance with the planned market introduction program. If for any reason we do not spend the full Ten Thousand Dollars ($10,000) you paid us, we will refund the unused portion to you within one-hundred-twenty (120) days after the Store opens.

B. Brand Fund

We may establish a fund ("**Brand Fund**" or "**Fund**") for advertising, marketing, research and development, public relations, social media management, and customer relationship management programs and materials, the purpose of which is to enhance, promote, and protect The Vitamin Shoppe brand and Franchise System. You agree to contribute to the Brand Fund the amounts we periodically specify, which shall be the greater of One Thousand Dollars ($1,000) per fiscal month or 2% of Net Revenue. We may increase the amount of the Brand Fund contribution up to a maximum of 3% of Net Revenue, provided that such contribution shall not exceed Forty Thousand Dollars ($40,000) in any fiscal year. Your Brand Fund contribution shall be due and payable at the same time and in the same manner as the Royalty or in such other manner we periodically specify.

We will direct all programs the Brand Fund finances, with sole control over all creative and business aspects of the Fund's activities. The Brand Fund may pay for preparing, producing, and placing video, audio, and written materials, digital and electronic media, and Social Media; developing, maintaining, and administering one or more System Websites; administering national, regional, and multi-regional marketing and advertising programs, including, without limitation, purchasing direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; establishing regional and national promotions and partnerships and hiring spokespersons to promote The Vitamin Shoppe brand; establishing toll-free call centers and on-line systems and other vehicles for centralized customer interaction; and supporting public relations, market research and development, and other advertising, promotion, marketing, and brand-related activities. The Brand Fund periodically may give you sample advertising, marketing, and promotional formats and materials (collectively, "**Marketing Materials**") at no cost. We may sell you multiple copies of Marketing Materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Brand Fund separately from our other funds (although we need not keep Brand Fund contributions in a separate bank account) and not use the Brand Fund for any of our general operating expenses or for in store marketing kits. However, the Brand Fund may reimburse us and our affiliates for the reasonable salaries and benefits of personnel who manage and administer, or otherwise provide assistance or services to, the Brand Fund; the Brand Fund's administrative costs; travel related expenses of our personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and other expenses we and our affiliates incur administering or directing the Brand Fund and its programs, including conducting market research, preparing Marketing Materials, collecting and accounting for Brand Fund contributions, paying taxes due on Brand Fund contributions we receive, and any other costs or expenses we incur operating or as a consequence of the Fund. The Brand Fund is

not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and post the statement on the Intranet within sixty (60) days after our fiscal year end or otherwise give you a copy of the statement upon reasonable request. We may (but need not) have the Brand Fund audited annually, at the Brand Fund's expense, by a certified public accountant we designate. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 14.B.

The Brand Fund's principal purposes are to maximize recognition of the Marks, increase patronage of the Stores, and enhance, promote, and protect The Vitamin Shoppe brand and Franchise System. Although we will try to use the Brand Fund in the aggregate to develop and implement Marketing Materials and programs benefiting all Stores, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by Stores operating in that geographic area or that any Store benefits directly or in proportion to its Brand Fund contribution from the development of Marketing Materials or the implementation of programs. The Brand Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs (including the System Website) prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect unpaid Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this Section 14.B, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may at any time defer or reduce the Brand Fund contributions of any Store franchisee and, upon thirty (30) days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will either (i) spend the remaining Fund balance on permitted programs and expenditures or (ii) distribute all unspent funds to our then-existing franchisees, and to us and our affiliates, in proportion to their and our respective Brand Fund contributions during the preceding twelve (12) month period.

C. Approval of Marketing and Other External Communications

All advertising, promotion, marketing, and public relations activities you conduct and Marketing Materials you prepare must be legal and not misleading and conform to the policies set forth in the Operations Manual or that we otherwise prescribe from time to time. To protect the goodwill that we and certain of our affiliates have accumulated in the "The Vitamin Shoppe" name and other Marks, at least thirty (30) days before you intend to use them, you must send us samples or proofs of (a) all Marketing Materials we have not prepared or already approved, and

(b) all Marketing Materials we have prepared or already approved which you propose to change in any way. However, you need not send us any Marketing Materials in which you have simply completed the missing Store-specific or pricing information based on templates we sent you. If we do not approve your Marketing Materials in writing within thirty (30) days after we actually receive them, they will be deemed disapproved for use. We will not unreasonably withhold our approval. You may not use any Marketing Materials we have not approved or have disapproved. We reserve the right upon thirty (30) days' prior written notice to require you to discontinue using any previously-approved Marketing Materials.

D. Local Marketing

You agree to use your best efforts to promote and advertise your Store and participate in any local marketing and promotional programs we establish from time to time. In addition to your Brand Fund contribution, we may, in our sole discretion, from time to time, require you to spend at least one and one-half percent (1.5%) of your Net Revenue on approved local marketing and promotion (the "**Local Marketing Spending Requirement**"). You must prepare, or collaborate with us to prepare, a written local marketing plan for the Local Marketing Spending Requirement according to our specified process. Upon our request, you must provide us with itemization and proof of your local marketing expenditures and an accounting of the monies that you have spent for approved local marketing. The total amount you must pay or spend for your contribution to the Brand Fund, your local marketing expenditures and/or Marketing Cooperatives will not exceed 3% of the Net Revenue of the Store. We may review your books and records, and require you to submit reports periodically, to determine your advertising, marketing, and promotion expenses. If you fail to spend (or prove that you spent) the Local Marketing Spending Requirement, we may, in addition to and without limiting our other rights and remedies, require you to contribute the shortfall to the Brand Fund for use as provided in Section 14.B above.

E. Advertising Cooperatives

We may designate a geographic area for an advertising cooperative (a "**Cooperative**"). The Cooperative's members in any area are the owners of all Stores located and operating in that area (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine. We may change, dissolve, and merge Cooperatives. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop Marketing Materials for the area the Cooperative covers. If, as of the Effective Date, we have established a Cooperative for the geographic area in which the Store is located, or if we establish a Cooperative in that area during the Term, you automatically will become a member of the Cooperative and then must participate as its governing documents require. All of the Cooperative dues you contribute will count toward the Local Marketing Spending Requirement under Section 14.D but will not affect your market introduction program obligations under Section 14.A.

F. System Website

We or our designees may establish a website or series of websites for The Vitamin Shoppe network: (1) to advertise, market, identify, and promote Stores, the services and products

they offer, and/or The Vitamin Shoppe franchise opportunity; (2) to function as the Intranet; and/or (3) for any other purposes we deem appropriate for Stores (collectively, the "**System Website**"). The System Website need not provide you with a separate interior webpage or "micro-site" referencing your Store. You must give us the information and materials we request for you to participate in the System Website. In doing so, you represent that they are accurate and not misleading and do not infringe another party's rights. We will own all intellectual property and other rights in the System Website and all information it contains (including, without limitation, any Data).

We will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the System Website. We have final approval rights over all information on the System Website. We may implement and periodically modify Brand Standards for the System Website.

We will allow you to participate in the System Website only while you are in substantial compliance with this Agreement and all Brand Standards (including those for the System Website). If you are in material default of any obligation under this Agreement or Brand Standards, we may, in addition to our other remedies, temporarily suspend your participation in the System Website until you fully cure the default. We will permanently terminate your access to and participation in the System Website upon this Agreement's expiration or termination.

All Marketing Materials you develop for the Store must contain notices of the System Website's URL in the manner we periodically designate. You may not develop, maintain, or authorize any other website, online presence, or electronic medium mentioning or describing the Store or displaying any Marks without our prior written approval. Except for the System Website or as otherwise approved specified in the Operations Manual, you may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.

Nothing in this Section limits our right to maintain websites other than the System Website or to offer and sell services and products under the Marks from the System Website, another website, or otherwise over the Internet without payment or any other obligation to you.

15. Records, Reports, and Financial Statements

In order to assure consistency and reliability with respect to the various forms of financial reporting you must make to us, you must establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats (including, at our option, the accounting methods and chart of accounts) we prescribe from time to time. We also may require the Store to use a designated accounting system (whether or not proprietary to us or our affiliates). The records and information contained in any bookkeeping, accounting, and recordkeeping system we require will not include any records or information relating to the Store's employees, as you control exclusively your labor relations and employment practices. You must use a Computer System to maintain certain revenue data and other information (including Consumer Data) and give us access to that data and other information (but excluding employee records, as you control exclusively your labor relations and employment practices) in the manner we specify. We may, as often as we deem appropriate

(including on a daily, continuous basis), independently access the Computer System and retrieve all information regarding the Store's operation (other than Store employee records, as you control exclusively your labor relations and employment practices). You must give us:

i. within twenty-five (25) days after the end of each fiscal month, the Store's operating statements and financial statements covering the previous monthly period;

ii. within thirty (30) days after the end of each fiscal quarter, the Store's operating statements and financial statements (including a balance sheet and cash flow and profit and loss statements) as of the end of that fiscal quarter;

iii. within ninety (90) days after the end of each of your fiscal years, annual profit and loss and cash flow statements, a balance sheet for the Store as of the end of the previous fiscal year, and a narrative written description of your year-end operating results; and

iv. within fifteen (15) days after our request, exact copies of federal and state income, sales tax, and other tax returns and any other forms, records, books, reports, and other information we periodically require relating to you or the Store (other than Store employee records, as you control exclusively your labor relations and employment practices).

We may periodically specify the form and content of the reports and financial statements described above. You must verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data from such reports and statements (and to identify the Store as the source of such reports and statements) for any business purpose we determine in our sole judgment, including the right to identify the Store and disclose its individual financial results in both a financial performance representation appearing in Item 19 of our franchise disclosure document and a supplemental financial performance representation.

You agree to preserve and maintain all records, in the manner we periodically specify, in a secure location at the Store or at another location we have approved in writing for at least five (5) years after the end of the fiscal year to which such records relate or for any longer time the Law requires. If we reasonably determine that any report or financial statement you send us is willfully or recklessly, and materially, inaccurate, we may require you to prepare audited financial statements annually during the Term until we determine that your reports and statements accurately reflect the Store's business and operations.

16. Inspections and Audits

A. Inspections

To determine whether you and the Store are complying with this Agreement, all Brand Standards, and safety standards, we and our designated representatives and vendors (including "mystery" shoppers) have the right before you open the Store for business and afterward from time to time during your regular business hours, and without prior notice to you, to inspect and evaluate the Store, observe and record operations (including through electronic monitoring),

remove samples of products and supplies, interview and interact with the Store's supervisory employees and customers, inspect all books and records relating to the Store, and access all electronic records on your Computer System to the extent necessary to ensure compliance with this Agreement and all Brand Standards (in all cases excluding records relating to labor relations and employment practices, as you control exclusively labor relations and employment practices for Store employees). You must cooperate with us and our representatives and vendors in those activities. We will give you a written summary of the evaluation. Without limiting our other rights and remedies under this Agreement, you must promptly correct at your own expense all deficiencies (i.e., failures to comply with Brand Standards) noted by our evaluators within the time period we specify after you receive notice of those deficiencies. We then may conduct one or more follow-up evaluations to confirm that you have corrected the deficiencies and otherwise are complying with this Agreement and all Brand Standards. You must pay the actual costs of the first follow-up audit, including our personnel's daily charges (including wages) and travel related expenses. We may charge you an inspection fee for the second and each follow-up evaluation we make and for each inspection you specifically request. If you fail to correct a deficiency at the Store or in its operation after these inspections, we may (short of taking over the Store's management) take the required action for you, in which case you must immediately reimburse all of our costs.

In order to help you manage inventory shrinkage and overages in your Store, we also require you to conduct a physical inventory of the merchandise in your Store at least once a year using an outside inventory service designated by us and copies of the reports provided by the outside inventory service must be provided to us. All merchandise must be accounted for and counted during the physical inventory.

Because we do not have the right to inspect your employment records, you agree to confirm for us periodically (in the manner specified in Brand Standards) that the Store's employees have all certifications required by Law.

B. Our Right to Audit

We and our designated representatives may at any time during your business hours, and without prior notice to you, examine the Store's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records (other than records we have no authority to control and/or remedy, such as your employment records, as you control exclusively your labor relations and employment practices). You must fully cooperate with our representatives and independent accountants conducting any inspection or audit. If any inspection or audit discloses an understatement of the Store's Net Revenue, you must pay us, within ten (10) days after receiving the inspection or audit report, the amounts due on the understatement plus our administrative fee and interest from the date originally due until the date of payment. If any inspection or audit discloses an overstatement of the Store's Net Revenue, we will credit you (without interest) for the overpayment. Further, if an inspection or audit is necessary due to your failure to furnish reports, supporting records, or other information as required or on a timely basis, or if our examination reveals an understatement exceeding two percent (2%) of the amount you actually reported to us for the period examined, you must reimburse our costs for the examination, including, without limitation, legal fees, independent accountants' fees, and compensation and travel related expenses for our employees. These

remedies are in addition to our other remedies and rights under this Agreement and applicable Law.

17. Transfer

A. Transfer by Us

We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After we assign this Agreement to a third party that expressly assumes this Agreement's obligations, we no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to you as if it had been an original party to this Agreement. Specifically, and without limiting the foregoing, you agree that we may sell our assets (including this Agreement), the Marks, or the Franchise System to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, securitization, or other economic or financial restructuring.

B. Transfer by You and Definition of Transfer

You acknowledge that the rights and duties this Agreement creates are personal to you and your owners, and we have granted you the rights under this Agreement in reliance upon our perceptions of your and your owners' character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither: (i) this Agreement or any interest in this Agreement; (ii) the Store or any right to receive all or a portion of the profits, losses, or capital appreciation relating to the Store; (iii) all or substantially all of the Operating Assets; (iv) any ownership interest in you; nor (v) a controlling ownership interest in an Entity with an ownership interest in you, may be transferred without our prior written approval. A transfer of the Store's ownership, possession, or control, or all or substantially all of the Operating Assets, may be made only with the concurrent transfer (to the same proposed transferee) of the franchise rights (with the transferee signing our then-current form of franchise agreement and related documents). Any transfer without our prior written approval is a breach of this Agreement and has no effect, meaning you and your owners will continue to be obligated to us for all your obligations under this Agreement.

In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including the following events:

i. transfer of record or beneficial ownership of stock or any other ownership interest or the right to receive (directly or indirectly) all or a portion of the profits, losses, or any capital appreciation relating to the Store;

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

iii. any sale or exchange of voting interests or securities convertible to voting interests, or any management or other agreement granting the right

(directly or indirectly) to exercise or control the exercise of any owner's voting rights or to control your (or an Entity with an ownership interest in you) or the Store's operations or affairs;

iv. transfer in a divorce, insolvency, or Entity dissolution proceeding or otherwise by operation of law;

v. transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; or

vi. pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security or collateral, foreclosure upon or attachment or seizure of the Store, or your transfer, surrender, or loss of the Store's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the Store's assets (not including this Agreement or the franchise rights) to a lender that finances your acquisition, development, and/or operation of the Store without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice. Notwithstanding the above, you may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Marks (unless the Marks are readily removable from such property) and must advise your proposed lenders of this restriction.

C. Conditions for Approval of Transfer

If you and your owners are in full compliance with this Agreement, then, subject to this Section 17.C's other provisions, we will approve a transfer meeting all of this Section's requirements.

i. We will approve the transfer of a non-controlling ownership interest in you if the proposed transferee and its owners are of good moral character, have no ownership interest in and do not perform services for (and have no affiliates with an ownership interest in or performing services for) a Competitive Business, otherwise meet our then-applicable standards for non-controlling owners of Store franchisees, sign our then-current form of Guaranty and Assumption of Obligations. You will not be required to pay a transfer fee upon a non-controlling ownership transfer. The term "**controlling ownership interest**" is defined in Section 21.M.

ii. If the proposed transfer involves the franchise rights granted by this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, or is one of a series of transfers (regardless of the timeframe over which those transfers take place) in the aggregate transferring the franchise rights granted by this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, then all of the following conditions must be met before or concurrently with the proposed transfer's

effective date (provided, however, there may be no such transfer until after the Store has opened for business):

a. (i) the transferee and its direct and indirect owners have the necessary business experience, aptitude, and financial resources to operate the Store, (ii) the transferee otherwise is qualified under our then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including the transferee and its affiliates are in substantial operational compliance, at the time of the application, under all other franchise agreements for Stores to which they then are parties with us), and (iii) the transferee and its owners are not restricted by another agreement (whether or not with us) from purchasing the Store or the ownership interest in you or the Entity that owns a controlling ownership interest in you;

b. you have paid all required Royalties, Technology Fees, Brand Fund contributions, and other amounts owed to us and our affiliates relating to this Agreement and the Store, have submitted all required reports and statements, and are not in breach of any provision of this Agreement or another agreement with us or our affiliates relating to the Store;

c. neither the transferee nor any of its direct or indirect owners or affiliates operates, has an ownership interest in, or performs services for a Competitive Business;

d. the transferee's management personnel, if different from your management personnel, satisfactorily complete our then-current Initial Training;

e. the transferee has the right to occupy the Store's site for the expected franchise term;

f. the transferee and each of its owners (if the transfer is of the franchise rights granted by this Agreement), or you and your Owners (if the transfer is of a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you), sign our then-current form of franchise agreement and related documents (including a Guaranty and Assumption of Obligations), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, for new ten (10) year term, which will include our then-current fees, including the Royalty, Technology Fee, and Brand Fund contributions, and we may change the definition of the Area of Protection and the payment of the then-current initial franchise fee;

g. you or the transferee pays us a transfer fee equal to two thousand dollars ($2,000.00);

h. the transferee agrees to repair and/or replace Operating Assets and upgrade the Store in accordance with our then-current requirements and specifications for new Stores within the timeframe we specify following the transfer's effective date;

i. you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, representatives, agents, successors, and assigns;

j. we have determined that the purchase price, payment terms, and required financing will not adversely affect the transferee's operation of the Store;

k. if you or your owners finance any part of the purchase price, you and they agree that the transferee's obligations under promissory notes, agreements, or security interests reserved in the Operating Assets or ownership interests in you are subordinate to the transferee's (and its owners') obligation to pay Royalties, Technology Fees, Brand Fund contributions, and other amounts due to us and our affiliates and otherwise to comply with this Agreement;

l. you and your transferring owners (and members of their Immediate Families) agree, for two (2) years beginning on the transfer's effective date, not to engage in any activity proscribed in Section 20.E below; and

m. you and your transferring owners will not directly or indirectly at any time afterward or in any manner (except with other Stores you or they own or operate): (i) identify yourself or themselves in any business as a current or former Store or as one of our franchisees; (ii) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, or other indicia of Store for any purpose; or (iii) utilize for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with us.

If the proposed transfer is to or among your owners, your or their Immediate Family members, or an Entity you control, then the transfer fee in clause (g) will be waived. You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you, and our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct.

You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Store, and to withhold consent for the reasons specified above. You waive any claim that the action we take in good faith to protect our business interests in connection with a proposed transfer constitutes tortious interference with contractual or business relationships. Similarly, we may review all information regarding the Store you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you have given us or we have made regarding the Store.

Notwithstanding anything to the contrary in this Section 17, we need not consider a proposed transfer of a controlling or non-controlling ownership interest in you, or a proposed transfer of this Agreement, until you (or an owner) and the proposed transferee first send us a copy of the bona fide offer to purchase or otherwise acquire the particular interest from you (or the owner). For an offer to be considered "bona fide," we may require it to include a copy of all proposed agreements between you (or your owner) and the proposed transferee related to the sale, assignment, or transfer.

D. Transfer to a Wholly-Owned or Affiliated Entity

Notwithstanding Section 17.C above, if you are in full compliance with this Agreement, you may transfer this Agreement, together with the Operating Assets and all other assets associated with the Store, to an Entity that will conduct no business other than the Store and, if applicable, other Stores of which you or your then-existing owners own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all Store assets are owned, and the Store is operated, only by that single Entity. The Entity must expressly assume all of your obligations under this Agreement, but you will remain personally liable under this Agreement as if the transfer to the Entity did not occur. Transfers of ownership interests in that Entity are subject to the restrictions in Section 18.C.

E. Death or Disability

i. Transfer Upon Death or Disability

Upon the death or disability of one of your owners, that owner's executor, administrator, conservator, guardian, or other personal representative (the "**Representative**") must transfer the owner's ownership interest in you (or an owner) to a third party. That transfer (including transfer by bequest or inheritance) must occur, subject to our rights under this Section 17.E, within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all terms and conditions in this Section 18. A failure to transfer such interest within this time period is a breach of this Agreement.

ii. Operation upon Death or Disability

If, upon the death or disability of any of your owners, the Store's day-to-day operations are not being managed by a trained manager, then you or the Representative (as applicable) must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, hire a new manager to operate the Store. The manager must at your expense satisfactorily complete the training we designate within the time period we specify. We have the right to assume the

Store's management, as described in Section 19.C, for the time we deem necessary if the Store is not in our opinion being managed properly upon the death or disability of one of your owners.

F. Effect of Consent to Transfer

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

G. Our Right of First Refusal

If you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you at any time determines to sell or transfer for consideration the franchise rights granted by this Agreement and the Store (or all or substantially all of its Operating Assets), a controlling ownership interest in you, or a controlling ownership interest in an Entity with a controlling ownership interest in you (except to or among your current owners or in a transfer under Section 17.D, which are not subject to this Section 17.G), you agree to obtain from a responsible and fully-disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which, as noted in Section 17.C above, we may require to include a copy of all proposed agreements related to the sale or transfer). The offer must include details of the proposed sale's payment terms and the financing sources and terms of the proposed purchase price and provide for an earnest money deposit of at least five percent (5%) of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be a fixed-dollar amount, without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to the rights granted by this Agreement and the Store (or all or substantially all of its Operating Assets), a controlling ownership interest in you, or a controlling ownership interest in an Entity with a controlling ownership interest in you. It may not relate to any other interests or assets. We may require you (or your owners) to send us copies of any materials or information you send to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (i) we may substitute cash for any form of payment proposed in the offer; (ii) our credit will be deemed equal to the credit of any proposed buyer; (iii) the closing will be not less than sixty (60) days after we notify you of our election to purchase or, if later, the closing date proposed in the offer; (iv) you and your owners must sign the general release described in Section 17.C.ii(i) above; and (v) we must receive, and you and your owners agree to make, all customary representations, warranties, and indemnities given by the seller of the assets of a business or of ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests; your and your owners' authorization to sell, as applicable, any ownership interests or assets without violating any Law, contract, or requirement of notice or consent; liens and encumbrances on ownership interests and assets; validity of contracts and liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased; and indemnities for all actions,

events, and conditions that existed or occurred in connection with the Store before the closing of our purchase. If the offer is to purchase all of your ownership interests, we may elect instead to purchase all of the Store's assets (and not any of your ownership interests) on the condition that the amount we pay you for such assets equals the full value of the transaction as proposed in the offer (i.e., the value of all assets to be sold and of all liabilities to be assumed).

Once you or your owners submit the offer and related information to us triggering the start of the thirty (30) day decision period referenced above, the offer is irrevocable for that thirty (30) day period. This means we have the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if you or your owners change your, his, her, or its mind during that period and prefer after all not to sell the particular interest that is the subject of the offer. You and your owners may not withdraw or revoke the offer for any reason during the thirty (30) days, and we may exercise the right to purchase the particular interest in accordance with this Section's terms.

If we exercise our right of first refusal and close the transaction, you and your transferring owners agree that, for two (2) years beginning on the closing date, you and they (and members of your or their Immediate Families) will be bound by the non-competition covenants contained in Section 19.E.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we approve the transfer as provided in this Section 17. If you or your owners do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the sale's terms (which you agree to tell us promptly), we will have an additional right of first refusal during the thirty (30) days following either expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

We have the unrestricted right to assign this right of first refusal to a third party (including an affiliate), which then will have the rights described in this Section 17.G. We waive our right of first refusal for sales or transfers to Immediate Family members meeting the criteria in Section 16.C.

18. Expiration of Agreement and Right to Successor Franchise

When this Agreement expires (unless it is terminated sooner), you will have the right to acquire a successor franchise to continue operating the Store as a Store for one ten (10) year term under our then-current form of franchise agreement, but only if you have:

i. requested in writing a business review at least six (6) months, but not more than nine (9) months, before the end of the Term;

ii. substantially complied with all of your obligations under this Agreement and all other agreements with us or our affiliates related to the Store, and operated the Store in substantial compliance with Brand Standards, during the Term, as noted in the business review we conduct; and

iii. remodeled and upgraded the Store and otherwise brought the Store into full compliance with then-applicable specifications and standards for new Stores (regardless of cost) before this Agreement expires.

To acquire a successor franchise, you and your owners must: (i) sign our then-current form of franchise agreement (and related documents), which may contain terms and conditions differing materially from any and all of those in this Agreement, including higher Royalties, Technology Fees, and Brand Fund contributions and modification of the Area of Protection, and will be modified to reflect that it is for a successor franchise; (ii) pay us a successor franchise fee equal to fifty percent (50%) of the then-current initial franchise fee; and (iii) sign a general release in the form we specify as to any and all claims against us, our affiliates, and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If you fail to sign and return the documents referenced above, together with the successor franchise fee, within thirty (30) days after we deliver them to you, that will be deemed your irrevocable election not to acquire a successor franchise. If you (and your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise (at or after the business review) and on the date on which this Agreement expires, in substantial compliance with this Agreement and all other agreements with us or our affiliates related to the Store, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its Term under Section 18. We may condition our grant of a successor franchise on your completing certain requirements on or before designated deadlines following commencement of the successor franchise term.

19. Termination of Agreement

A. Termination

We may, at our option, terminate this Agreement, effective immediately upon delivery of written notice of termination to you, upon the occurrence of any one of the following events:

i. you (or any of your direct or indirect owners) have made or make any material misrepresentation or omission in connection with your application for and acquisition of the franchise or your operation of the Store, including, without limitation, by intentionally or through your gross negligence understating the Store's Net Revenue for any period;

ii. you fail (a) to obtain our written acceptance of the site, to secure the accepted site under a Lease we accept, or otherwise to meet any development obligation identified in Section 5 on or before the required deadline, or (b) to develop, open, and begin operating the Store in compliance with this Agreement and Brand Standards (including with a fully-trained staff) on or before the Opening Deadline (unless extended with our approval);

iii. you (a) abandon the Store, meaning you have deserted, walked away from, or closed the Store under circumstances leading us to conclude that you have no intent to return to the Store, regardless of how many days have

passed since the apparent abandonment, or (b) fail actively and continuously to operate the Store (a failure to operate the Store for over three (3) consecutive days will be deemed a default under this clause (b), except where closure is due to fire, riot, flood, terrorist acts, or natural disaster and you notify us within three (3) days after the particular occurrence to obtain our written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before we will require you to re-open);

iv. you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you makes a purported transfer in violation of Section 17;

v. you (or any of your direct or indirect owners) are or have been convicted by a trial court of, or plead or have pleaded guilty or no contest to, a felony;

vi. you (or any of your direct or indirect owners) engage in any dishonest, unethical, immoral, or similar conduct as a result of which your (or the owner's) association with the Store (or the owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks;

vii. a lender forecloses on its lien on a substantial and material portion of the Store's assets;

viii. an entry of judgment against you involving aggregate liability of Twenty-Five Thousand Dollars ($25,000) or more in excess of your insurance coverage, and the judgment remains unpaid for ten (10) days or more following its entry;

ix. you (or any of your direct or indirect owners) misappropriate any Confidential Information or violate any provisions of Section 12, including, but not limited to, by holding interests in or performing services for a Competitive Business;

x. you violate any material Law relating to the Store's development, operation, or marketing and do not (a) correct the noncompliance or violation within fifteen (15) days after delivery of written notice of the noncompliance or violation or (b) completely correct the noncompliance or violation within the time period prescribed by Law, unless you are in good faith contesting your liability for the violation through appropriate proceedings or provide reasonable evidence of your continued efforts to correct the violation within a reasonable time period;

xi. you fail to report the Store's Net Revenue or to pay us or any of our affiliates any amounts when due and do not correct the failure within five (5) days after delivery of written notice;

xii. you underreport the Store's Net Revenue by two percent (2%) or more on three (3) separate occasions within any twenty-four (24) consecutive-month period or by five percent (5%) or more during any reporting period;

xiii. you fail to maintain the insurance this Agreement requires or to send us satisfactory evidence of such insurance within the required time, or significantly modify your insurance coverage without our written approval, and do not correct the failure within five (5) days after delivery of written notice;

xiv. you fail to pay when due any federal or state income, service, sales, employment, or other taxes due on the Store's operation, unless you are in good faith contesting your liability for such taxes through appropriate proceedings;

xv. you (or any of your direct or indirect owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive-month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you (which includes failures identified and reported to you during any inspection we conduct under Section 15.A), or (b) fail on two (2) or more separate occasions within any six (6) consecutive-month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you (which includes failures identified and reported to you during any inspection we conduct under Section 15.A);

xvi. you fail to pay amounts you owe to our designated, approved, or recommended suppliers within thirty (30) days following the due date (unless you are contesting the amount in good faith), or you default (and fail to cure within the allocated time) under any note, lease, or agreement we deem material relating to the Store's operation or ownership, and do not correct the failure within five (5) days after delivery of written notice;

xvii. you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of your property; the Store is attached, seized, or levied upon, unless the attachment, seizure, or levy is vacated within sixty (60) days; or any order appointing a receiver, trustee, or liquidator of you or the Store is not vacated within sixty (60) days following its entry;

xviii. your or any of your owners' assets, property, or interests are blocked under any Law relating to terrorist activities, or you or any of your owners otherwise violate any such Law;

xix. you lose the right to occupy the Store's premises due to your Lease default (even if you have not yet vacated the Store's premises);

xx. you lose the right to occupy the Store's premises (but not due to your Lease default), or the Store is damaged to such an extent that you cannot operate the Store at its existing location over a thirty (30) day period, and you fail both to relocate the Store to a substitute site we accept and to begin operating the Store at that substitute site within one hundred eighty (180) days from the first date on which you could not operate the Store at its existing location;

xxi. you fail to comply with any other obligation under this Agreement or any other agreement between us (or any of our affiliates) and you relating to the Store, including, without limitation, any Brand Standard, and do not correct the failure to our satisfaction within thirty (30) days after we deliver written notice;

xxii. any other franchise agreement or area development agreement between by you (or any of your owners) or any Affiliate and us or any of our Affiliates is terminated; or

xxiii. you cause or contribute to a Data Security Incident or fail to comply with any requirements to protect Consumer Data.

B. Assumption of Store's Management

(i) If you abandon or fail actively to operate the Store for any period, (ii) under the circumstances described in Sections 17.E and 19.D, and (iii) after termination or expiration of this Agreement while we are deciding whether to exercise our right to purchase the Store's assets under Section 19.F, we or our designee has the right (but not the obligation) to enter the site and assume the Store's management for any time period we deem appropriate. Our manager will exercise control over the working conditions of the Store's employees only to the extent such control is related to our legitimate interest in protecting, and is necessary at that time to protect, the quality of our services, products, or brand. If we assume the Store's management, all revenue from the Store's operation during our management period will (except as provided below) be kept in a separate account, and all Store expenses will be charged to that account. In addition to all other fees and payments owed under this Agreement on account of the Store's operation, we may charge you a reasonable management fee, not to exceed ten percent (10%) of the Store's Net Revenue, plus any out-of-pocket expenses incurred in connection with the Store's management. We or our designee will have a duty to use only reasonable efforts and, if we or our designee is not grossly negligent and does not commit an act of willful misconduct, will not be liable to you or your owners for any debts, losses, lost or reduced profits, or obligations the Store incurs, or to any of your creditors for any supplies, products, or other assets or services the Store purchases, while we or our designee manages it. We may require you to sign our then-current form of management agreement, which will govern the terms of our management of the Store.

If we or our designee assumes the Store's management due to your abandonment or failure actively to operate the Store, or after termination or expiration of this Agreement while we are deciding whether to exercise our right to purchase the Store's Operating Assets under Section 19.F, we or our designee may retain all, and need not pay you or otherwise account to you for any, Net Revenue generated while we or our designee manages the Store.

C. Other Remedies upon Default

Upon your failure to remedy any noncompliance with any provision of this Agreement or any Brand Standard, or another default specified in any written notice issued to you under Section 19.B, within the time period (if any) we specify in our notice, we have the right, until the failure has been corrected to our satisfaction, to take any one or more of the following actions:

i. suspend your right to participate in one or more advertising, marketing, or promotional programs that we or the Brand Fund provides;

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

iii. refuse to provide any operational support this Agreement requires; and/or

iv. assume the Store's management, as described in Section 19.C, for the time we deem necessary in order to correct the default, for all of which costs you must reimburse us (in addition to the amounts you must pay us under Section 19.C).

Exercising any of these rights will not constitute an actual or constructive termination of this Agreement or be our sole and exclusive remedy for your default. If we exercise any remedies in this Section 19.D rather than terminate this Agreement, we may at any time after the applicable cure period under the written notice has lapsed (if any) terminate this Agreement without giving you any additional corrective or cure period. During any suspension period, you must continue paying all fees and other amounts due under, and otherwise comply with, this Agreement and all related agreements. Our election to suspend your rights as provided above is not our waiver of any breach of this Agreement. If we rescind any suspension of your rights, you are not entitled to any compensation (including, without limitation, repayment, reimbursement, refunds, or offsets) for any fees, charges, expenses, or losses you might have incurred due to our exercise of any suspension right provided above.

20. Rights and Obligations upon Termination or Expiration of This Agreement

A. Payment of Amounts Owed

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date we determine the amounts due to us, the Royalties, Technology Fees, Brand Fund contributions, late fees and interest, and other amounts owed to us (and our affiliates) that are then unpaid.

B. De-Identification

Upon termination or expiration of this Agreement, you must de-identify the Store in compliance with this Section 20.B and as we reasonably require. De-identification includes, but is not limited to, taking the following actions:

i. beginning on the De-identification Date (defined below), you and your owners may not directly or indirectly at any time afterward or in any manner: (a) identify yourself or themselves in any business as a current or former Store or as one of our current or former franchisees; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, any copyrighted items, or other indicia of the Store for any purpose; or (c) use for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with us.

ii. within fifteen (15) days after the De-identification Date, you must take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

iii. if we do not exercise the option under Section 20.F below, you must, at your own cost and without any payment from us for such items, at our option, deliver to us, make available to us for pick-up, or destroy, in any case within twenty (20) days after the De-identification Date, all signs, Marketing Materials, forms, and other materials containing any Mark. If you fail to do so voluntarily when we require, we and our representatives may enter the Store at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our costs of doing so;

iv. if we do not exercise the option under Section 19.F below, you must, at your own cost and without any payment from us for such items, at our option, deliver to us, make available to us for pick-up, or destroy, in any case within thirty (30) days after the De-identification Date, all materials that are proprietary to the Store brand. If you fail to do so voluntarily when we require, we and our representatives may enter the Store at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our costs of doing so;

v. if we do not exercise the option under Section 20.F below, you must at your own expense, within twenty (20) days after the De-identification Date, make the alterations we specify to distinguish the Store clearly from its former appearance and from other Stores in order to prevent public confusion. If you fail to do so voluntarily when we require, we and our representatives may enter the Store at our convenience and take this action

without liability to you, your landlord, or any other third party for trespass or any other claim. We need not compensate you or the landlord for any alterations. You must reimburse our costs of de-identifying the Store;

vi. you must, within fifteen (15) days after the De-identification Date, notify the telephone company and all telephone directory publishers (both web-based and print) of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; authorize, and not interfere with, the transfer of those numbers and directory listings to us or at our direction; and/or instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and

vii. you must immediately cease using or operating any website or other online presence or electronic media, including social networking websites, related to the Store or the Marks, take all action required to disable such websites or social networking website accounts, and cancel all rights in and to any accounts for such websites (unless we request you to assign them to us).

The "**De-identification Date**" means: (i) if we exercise the option under Section 19.F, the closing date of our (or our designee's) purchase of the Store's assets; or (ii) if we do not exercise the option under Section 19.F, the date upon which that option expires or we notify you of our decision not to exercise, or to withdraw our previous exercise, of that option, whichever occurs first.

C. Confidential Information

Upon termination or expiration of this Agreement, you and your owners must immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials to which we gave you access. You may not sell, trade, or otherwise profit in any way from any Consumer Data or other Confidential Information at any time after expiration or termination of this Agreement.

D. Notification to Customers

Upon termination or expiration of this Agreement, we have the right to contact (at our expense) previous, current, and prospective customers to inform them that Store no longer will operate at the Store's location or, if we intend to exercise the option under Section 20.F, that the Store will operate under new management. We also have the right to inform them of other nearby Stores. Exercising these rights will not constitute interference with your contractual or business relationship with those customers.

E. Covenant Not to Compete

Upon our termination of this Agreement in compliance with its terms, your termination of this Agreement without cause, or expiration of this Agreement (without the grant of a successor franchise), you and your owners agree that neither you, they, nor any member of your or their Immediate Families will:

i. have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in any Competitive Business located or operating:

   a. at the Store's site; or

   b. within ten (10) miles of the Store's site; or

   c. within ten (10) miles of another Store in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section 19.E,

   provided that this restriction does not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange and representing less than five percent (5%) of the number of shares of that class of securities issued and outstanding; or

ii. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business located or operating:

   a. at the Store's site; or

   b. within ten (10) miles of the Store's site; or

   c. within ten (10) miles of another Store in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section 19.E.

You, each owner, and your and their Immediate Families will each be bound by these competitive restrictions for two (2) years beginning on the effective date of this Agreement's termination or expiration. However, if a restricted person does not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for that non-compliant person will not start to run until the date on which that person begins to comply with the competitive restrictions (whether or not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Section and will resume when that person resumes compliance. These restrictions also apply after transfers and other events, as provided in Section 17 above. You (and your owners) expressly acknowledge that you (and they) possess skills and abilities of a general nature and have other opportunities for exploiting those

skills. Consequently, our enforcing the covenants made in this Section 20.E will not deprive you (and them) of personal goodwill or the ability to earn a living.

F. Option to Purchase Operating Assets

i. Exercise of Option

Upon our termination of this Agreement in compliance with its terms, your termination of this Agreement without cause, or expiration of this Agreement (without the grant of a successor franchise), we have the option, exercisable by giving you written notice before or within thirty (30) days after the effective date of termination or expiration, to purchase the Operating Assets and other assets associated with the Store's operation that we designate. We have the unrestricted right to assign this purchase option to a third party (including an affiliate), which then will have the rights and obligations described in this Section 20.F. (All references in this Section 20.F. to "we" or "us" include our assignee if we have exercised our right to assign this purchase option to a third party.) We are entitled to all customary representations, warranties, and indemnities in our asset purchase, including representations and warranties regarding ownership and condition of, and title to, assets; liens and encumbrances on assets; validity of contracts and liabilities affecting the assets, contingent or otherwise; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Store before the closing of our purchase.

If you or one of your affiliates owns the site at which the Store is located, we (or our assignee) may elect to lease that site from you or the affiliate for an initial five (5) or ten (10) year term (at our option), with one (1) renewal term of five (5) or ten (10) years (again at our option), on commercially reasonable terms. If you lease the Store's site from an unaffiliated lessor, you agree (at our option) to assign the Lease to us or to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

ii. Purchase Price

If we elect to purchase all or substantially all of the Operating Assets and other assets associated with the Store's operation, the purchase price for those assets will be their fair market value, although fair market value will not include any value for (a) the franchise or any rights granted by this Agreement, (b) goodwill attributable to our Marks, brand image, and other intellectual property, or (c) participation in the network of Stores. In all cases, we may exclude from the assets purchased any Operating Assets or other items not reasonably necessary (in function or quality) to the Store's operation or that we have not approved as meeting Brand Standards; the purchase price will reflect those exclusions. We and you must work together in good faith to agree upon the assets' fair market value within fifteen (15) days after we deliver our notice exercising our right to purchase. If we and you cannot agree on fair market value within this fifteen (15) day period, fair market value will be determined by the following appraisal process.

Fair market value will be determined by one (1) independent accredited appraiser upon whom we and you agree who, in conducting the appraisal, will be bound by the criteria specified above. We and you agree to select the appraiser within fifteen (15) days after we deliver our

purchase notice (if we and you do not agree on fair market value before then). If we and you cannot agree on a mutually-acceptable appraiser within the fifteen (15) days, we will send you a list of three (3) independent appraisers, and you must within seven (7) days select one (1) of them to be the designated appraiser to determine the purchase price. Otherwise, we have the right to select the appraiser. We and you will share equally the appraiser's fees and expenses. Within thirty (30) days after delivery of notice invoking the appraisal mechanism, we and you each must send the appraiser our and your respective calculations of the purchase price, with such detail and supporting documents as the appraiser requests and according to the criteria specified above. Within fifteen (15) days after receiving both calculations, the appraiser must decide whether our proposed purchase price or your proposed purchase price most accurately reflects the assets' fair market value. The appraiser has no authority to compromise between the two (2) proposed purchase prices; it is authorized only to choose one or the other. The appraiser's choice will be the purchase price and is final.

iii. Closing

We will pay the purchase price at the closing, which will take place not later than thirty (30) days after the purchase price is determined. However, we may decide after the purchase price is determined not to complete the purchase and will have no liability to you for choosing not to do so. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us (or our affiliates). At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; (b) all of the Store's licenses and permits that may be assigned; and (c) possessory rights to the Store's site.

If you cannot deliver clear title to all purchased assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If we exercise our rights under this Section 20.F, then for two (2) years beginning on the closing date, you and your owners (and members of your and their Immediate Families) will be bound by the non-competition covenants contained in Section 20.E.

G. Continuing Obligations

All of our and your (and your owners') obligations expressly surviving expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination and until they are satisfied in full.

21. Relationship of the Parties; Indemnification

A. Independent Contractors

This Agreement does not create a fiduciary relationship between you and us (or any affiliate of ours). You have no authority, express or implied, to act as an agent for us or our affiliates for any purpose. You are, and will remain, an independent contractor responsible for all obligations and liabilities of, and for all losses or damages to, the Store and its assets, including

any personal property, equipment, fixtures, or real property, and for all claims or demands based on damage to or destruction of property or based on injury, illness, or death of any person, directly or indirectly, resulting from the Store's operation. Further, we and you are not and do not intend to be partners, joint venturers, associates, or employees of the other in any way, and we (and our affiliates) will not be construed to be jointly liable for any of your acts or omissions under any circumstances. We (and our affiliates) are not the employer or joint employer of the Store's employees. Your Store Manager and assistant managers are solely responsible for managing and operating the Store and supervising the Store's employees. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Store personnel, and others as the Store's owner, operator, and manager under a franchise we have granted and to place notices of independent ownership at the Store and on the forms, business cards, stationery, advertising, e-mails, and other materials we require from time to time.

We (and our affiliates) will not exercise direct or indirect control over the working conditions of Store personnel, except to the extent such indirect control is related to our legitimate interest in protecting the quality of our services, products, or brand. We (and our affiliates) do not share or codetermine the employment terms and conditions of the Store's employees and do not affect matters relating to the employment relationship between you and the Store's employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. To that end, you must notify Store personnel that you are their employer and that we, as the franchisor of Stores, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Store employees that you (and not we or our affiliates) are their employer.

B. No Liability for Acts of Other Party

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our relationship with you is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising from the Store's operation or the business you conduct under this Agreement.

C. Taxes

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, employment, or other taxes, whether levied upon you or the Store, due to the business you conduct (except for our own income taxes). You must pay those taxes and reimburse us for any taxes we must pay to any taxing authority on account of either your Store's operation or payments you make to us (except for our own income taxes).

D. Insurance

During the Term, you must maintain in force at your sole expense insurance coverage for the Store in the amounts, and covering the risks, we periodically specify in the Operations Manual. We may require some or all of your insurance policies to provide for waiver of subrogation in favor of us and certain of our affiliates. Your insurance carriers must be licensed to do business in the state in which the Store is located and be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria we periodically specify). Insurance policies must be in effect before you begin constructing the Store. We may periodically increase the amounts of coverage required under those insurance policies and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in Law or standards of liability, higher damage awards, or relevant changes in circumstances. Insurance policies must name us and any affiliates we periodically designate as additional insureds and provide for thirty (30) days' prior written notice to us of any policy's material modification, cancellation, or non-renewal or any non-payment. You must periodically, including before the Store opens, send us a valid certificate of insurance or duplicate insurance policy evidencing the coverage specified above and the payment of premiums. We may require you to use our designated insurance broker to facilitate your compliance with these insurance requirements. We have the right to obtain insurance coverage for the Store at your expense if you fail to do so, in which case you must reimburse our costs. We also have the right to defend claims in our sole discretion.

E. Indemnification

To the fullest extent permitted by Law, you must indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and reimburse any one or more of the Indemnified Parties for, all Losses (defined below) incurred as a result of:

(1) a claim threatened or asserted;

(2) an inquiry made formally or informally; or

(3) a legal action, investigation, or other proceeding brought

by a third party and directly or indirectly arising out of:

(i) the Store's construction, design, or operation;

(ii) the business you conduct under this Agreement;

(iii) your noncompliance or alleged noncompliance with any Law, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to the Store's employees;

(iv) a Data Security Incident; or

(v) your breach of this Agreement.

You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings, including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct, and willful wrongful omissions. However, you have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or our failure to compel you to comply with this Agreement.

For purposes of this indemnification and hold harmless obligation, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, whether or not litigation, arbitration, or alternative dispute resolution actually is commenced. Each Indemnified Party, with its own counsel and at your expense, may defend and otherwise respond to and address any claim threatened or asserted or inquiry made, or action, investigation, or proceeding brought (instead of having you defend it with your counsel, as provided in the preceding paragraph), and, in cooperation with you, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible (except as provided in the last sentence of the preceding paragraph).

Your obligations under this Section will continue in full force and effect after and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section. A failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section.

22. Enforcement

A. Severability

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable. If, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future Law in a final, unappealable ruling issued by any court, arbitrator, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant restricting competitive activity is deemed unenforceable due to its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be reformed to the extent necessary to be reasonable and enforceable, and then enforced to the fullest extent permissible, under the Laws and public

policies applied in the jurisdiction whose Laws determine the covenant's validity. If any applicable and binding Law requires more notice than this Agreement requires of the termination of this Agreement or of our refusal to grant a successor franchise, or if under any applicable and binding Law any provision of this Agreement or any Brand Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the Law will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or Brand Standard to the extent required to be valid and enforceable or delete the unlawful provision entirely. You agree to be bound by any promise or covenant imposing the maximum duty the Law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. Waiver of Obligations and Force Majeure

We and you may in writing unilaterally waive or reduce any contractual obligation or restriction upon the other, effective upon delivery of written notice to the other or another effective date stated in the waiver notice. However, no interpretation, change, termination, or waiver of any provision of this Agreement will bind us unless in writing, signed by one of our officers, and specifically identified as an amendment to this Agreement. No modification, waiver, termination, discharge, or cancellation of this Agreement affects the right of any party to this Agreement to enforce any claim or right under this Agreement, whether or not liquidated, which occurred before the date of such modification, waiver, termination, discharge, or cancellation. Any waiver granted is without prejudice to any other rights we or you have, is subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand your strict compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice varying from this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including your compliance with any Brand Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Stores; the existence of franchise agreements for other Stores containing provisions differing from those contained in this Agreement; or our acceptance of any payments from you after any breach of this Agreement. No special or restrictive legend or endorsement on any payment or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We may remove any legend or endorsement, which will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform obligations results from: (i) acts of God; (ii) fires, strikes, embargoes, war, terrorist acts or similar events, or riot; (iii) compliance with the orders, requests, or regulations of any federal, state, or municipal government; or (iv) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. However, these causes will not excuse payment of amounts owed at the time of the occurrence or payment of Royalties, Technology Fees, Brand Fund contributions, and other amounts due afterward. Under no circumstances do

any financing delays, difficulties, or shortages excuse your failure to perform or delay in performing your obligations under this Agreement.

C. Costs and Attorneys' Fees

If we incur costs and expenses (internal or external) to enforce our rights or your obligations under this Agreement because you have failed to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree to reimburse all costs and expenses we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Your obligation to reimburse us arises whether or not we begin a formal legal proceeding against you to enforce this Agreement. If we do begin a formal legal proceeding against you, the reimbursement obligation applies to all costs and expenses we incur preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has completely ended (including appeals and settlements).

D. You May Not Withhold Payments

You may not withhold payment of any amounts owed to us or our affiliates due to our alleged nonperformance of our obligations under this Agreement or for any other reason. You specifically waive any right you have at Law or in equity to offset any monies you owe us or our affiliates or to fail or refuse to perform any of your obligations under this Agreement.

E. Rights of Parties Are Cumulative

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy that we or you are entitled by Law to enforce.

F. Arbitration

All controversies, disputes, or claims between us (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) arising out of or related to:

i. this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Store or any provision of any such agreements;

ii. our relationship with you;

iii. the validity of this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Store, or any provision of any such agreements, and the validity and scope of the arbitration obligation under this Section; or

iv. any Brand Standard,

must be submitted for arbitration to the American Arbitration Association. Except as otherwise provided in this Agreement, such arbitration proceedings will be heard by one (1) arbitrator in accordance with the then-existing Commercial Arbitration Rules of the American Arbitration Association. All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 *et seq.*) will be governed by it and not by any state arbitration law.

The arbitrator has the right to award any relief he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (in accordance with 21.C above), provided that: (i) the arbitrator has no authority to declare any Mark generic or otherwise invalid; and (ii) subject to the exceptions in Section 22.I, we and you waive to the fullest extent the Law permits any right to or claim for any punitive, exemplary, treble and other forms of multiple damages against the other. The arbitrator's award and decision will be conclusive and bind all parties covered by this Section, and judgment upon the award may be entered in a court specified or permitted in Section 22.H below.

We and you will be bound by any limitation under this Agreement or applicable Law, whichever expires first, on the timeframe in which claims must be brought. We and you further agree that, in connection with any arbitration proceeding, each must submit or file any claim constituting a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim not submitted or filed in the proceeding will be barred. The arbitrator may not consider any settlement discussions or offers either you or we made. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for the arbitration proceeding to take place and by doing so do not waive or relinquish our right to seek recovery of those costs in accordance with Section 22.C above.

We and you agree that arbitration will be conducted on an individual basis and not in a class, consolidated, or representative action, that only we (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. Despite the foregoing or anything to the contrary in this Section or Section 22.A, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 22.F, then we and you agree that this arbitration clause will not apply to that dispute, and such dispute will be resolved in a judicial proceeding in accordance with this Section 22 (excluding this Section 22.F).

This Section's provisions are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after and notwithstanding expiration or termination of this Agreement.

Despite your and our agreement to arbitrate, each has the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, each must contemporaneously submit its dispute for arbitration on the merits as provided in this Section.

G. Governing Law

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or other federal Law, all controversies, disputes, or claims arising from or relating to:

i. this Agreement or any other agreement between you (or your owners) and us (or our affiliates);

ii. our relationship with you;

iii. the validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliate); or

iv. any Brand Standard,

will be governed by the Laws of the State of Delaware, without regard to its conflict of Laws rules.

H. Consent to Jurisdiction

Subject to the arbitration obligations in Section 22.F, you and your owners agree that all judicial actions brought by us against you or your owners, or by you or your owners against us, our affiliates, or our or their respective owners, officers, directors, agents, or employees, relating to this Agreement or the Store must be brought exclusively in the state or federal court of general jurisdiction located closest to where we, as franchisor, have our principal business address when the action is commenced. You and each of your owners irrevocably submit to the jurisdiction of such courts and waive any objection you or they might have to either jurisdiction or venue. Despite the foregoing, we may bring an action seeking a temporary restraining order or temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which you reside or the Store is located.

I. Waiver of Punitive and Exemplary Damages

EXCEPT FOR YOUR INDEMNIFICATION OBLIGATIONS UNDER SECTION 20.E AND CLAIMS BASED ON YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT THE LAW PERMITS ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IF THERE IS A DISPUTE BETWEEN US AND YOU (AND/OR YOUR OWNERS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES HE, SHE, OR IT SUSTAINS.

J. Waiver of Jury Trial

SUBJECT TO THE ARBITRATION OBLIGATIONS IN SECTION 21.F, WE AND YOU (AND YOUR OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER US OR YOU (OR YOUR OWNERS). WE AND YOU (AND YOUR OWNERS) ACKNOWLEDGE THAT WE AND YOU (AND THEY) MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERING THIS WAIVER'S RAMIFICATIONS.

K. Binding Effect

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors-in-interest. Subject to our right to modify the Operations Manual and Brand Standards, this Agreement may not be modified except by a written agreement signed by both you and us that is specifically identified as an amendment to this Agreement.

L. Limitations of Claims

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US AND EXCEPT FOR OUR (AND CERTAIN OF OUR RELATED PARTIES') RIGHT TO SEEK INDEMNIFICATION FROM YOU FOR THIRD-PARTY CLAIMS AS PROVIDED IN THIS AGREEMENT, ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN US AND YOU WILL BE BARRED UNLESS AN ARBITRATION OR JUDICIAL PROCEEDING, AS PERMITTED, IS COMMENCED IN THE APPROPRIATE FORUM WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE VIOLATION, ACT, OR CONDUCT GIVING RISE TO THE CLAIM OCCURS, REGARDLESS OF WHEN THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

M. Construction

The preambles and exhibits are part of this Agreement, which, together with any riders or addenda signed at the same time as this Agreement and together with the Operations Manual and Brand Standards, constitutes our and your entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to this Agreement's subject matter. There are no other oral or written representations, warranties, understandings, or agreements between us and you relating to this Agreement's subject matter. Notwithstanding the foregoing, nothing in this Agreement disclaims or requires you to waive reliance on any representation we made in the most recent franchise disclosure document (including its exhibits and amendments) we delivered to you or your representative. Any policies we adopt and implement from time to time to guide our decision-making are subject to change, are not a part of this Agreement, and do not bind us. Except as provided in Sections 20.E and 22.F, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Headings of sections and paragraphs in this Agreement are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs.

References in this Agreement to "we," "us," and "our," with respect to all of our rights and all your obligations to us under this Agreement, include any of our affiliates with whom you deal. "**Affiliate**" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. "**Control**" means the power to direct or cause the direction of management and policies. If two or more persons are at any time the owners of your rights under this Agreement and/or the Store, whether as partners or joint venturers, their representations, warranties, obligations, and liabilities to us will be joint and several. "**Owner**" means any person holding a direct or indirect ownership interest (whether of record, beneficial, or otherwise) or voting rights in you (or your owner or a transferee of this Agreement and the Store or any interest in you), including any person who has a direct or indirect interest in you (or your owner or a transferee), this Agreement, or the Store or any other direct or indirect legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "**controlling ownership interest**" in you or one of your owners (if an Entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, whether a "controlling ownership interest" is involved must be determined both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "**Person**" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days mean calendar days and not business days.

The term "**Store**" includes all assets of the Store you operate under this Agreement, including its revenue and income. "**Include**," "**including**," and words of similar import will be interpreted to mean "including, but not limited to," and the terms following such words will be interpreted as examples, and not an exhaustive list, of the appropriate subject matter.

This Agreement will become valid and enforceable only upon its full execution by you and us, although we and you need not be signatories to the same original, facsimile, or electronically-transmitted counterpart of this Agreement. A faxed copy of an originally-signed signature page, a scanned copy of an originally-signed signature page that is sent as a .pdf by email, or a signature page bearing an electronically/digitally captured signature and transmitted electronically will be deemed an original.

N. The Exercise of Our Business Judgment

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best according to our business judgment, to vary Brand Standards or other aspects of the Franchise System for any franchisee. You have no right to require us to grant you a similar variation or accommodation.

We have the right to develop, operate, and change the Franchise System in any manner this Agreement does not specifically prohibit. Whenever this Agreement reserves our right to take or withhold an action, or to grant or decline to grant you the right to take or omit an action, we may, except as this Agreement specifically provides, make our decision or exercise our rights based on information then available to us and our judgment of what is best for us, Store franchisees generally, or the Franchise System when we make our decision, whether or not we could have made other reasonable or even arguably preferable alternative decisions and whether or not our decision promotes our financial or other individual interest.

23. Compliance with Anti-Terrorism Laws

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any Anti-Terrorism Law. "**Anti-Terrorism Laws**" mean Executive Order 13224 issued by the President of the United States and all other present and future Laws, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement, as provided in Section 18 above.

24. Notices and Payments

All acceptances, approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive them in accordance with this Section 23. All such acceptances, approvals, requests, notices, and reports will be deemed delivered at the time delivered by hand; or one (1) business day after deposit with a nationally-recognized commercial courier service for next business day delivery; or three (3) business days after placement in the United States Mail by Priority Mail or Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and/or, with respect to any approvals and notices we send you or your owners, at the Store's address. Payments and certain information and reports you must send us under this Agreement will be deemed delivered on any of the applicable dates described above or, if earlier, when we actually receive them electronically (all payments, information, and reports must be received on or before their due dates in the form and manner specified in this Agreement). As of the Effective Date of this Agreement, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

To us:

Vitamin Shoppe Franchising, LLC
300 Harmon Meadow Blvd.,
Secaucus, New Jersey 07094
Attn: Vice President, Business Development

With a copy to:

Vitamin Shoppe Franchising, LLC
300 Harmon Meadow Blvd.,
Secaucus, New Jersey 07094
Attn: General Counsel

Notices to you and your owners: _____
_____
_____

25. Electronic Mail

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize e-mail transmission to you during the Term by us and our employees, vendors, and affiliates ("**Official Senders**"). You further agree that: (i) Official Senders are authorized to send e-mails to your Store Manager and other supervisory employees whom you occasionally authorize to communicate with us; (ii) you will cause your Store Manager, officers, directors, and supervisory employees to consent to Official Senders' transmission of e-mails to them; (iii) you will require such persons not to opt out of or otherwise ask to no longer receive e-mails from Official Senders while such persons work for or are associated with you; and (iv) you will not opt out of or otherwise ask to no longer receive e-mails from Official Senders during the Term. The consent given in this Section 25 will not apply to the provision of formal notices by either party under this Agreement under Section 24 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__**

**Effective Date

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

EXHIBIT A
TO THE VITAMIN SHOPPE
FRANCHISE AGREEMENT

BASIC TERMS

1. The Store's physical address is _____.

2. The Store's Area of Protection is described as follows: _____
_____
_____ (see attached map, if applicable). (We may modify the Area of Protection during the Franchise Agreement term if, with our prior written permission, which we have no obligation to grant, the Store relocates.)

3. The Initial Franchise Fee is: _____.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

EXHIBIT B
TO THE VITAMIN SHOPPE
FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ _____, 20__, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**") on this date by **Vitamin Shoppe Franchising, LLC, a** Delaware limited liability company ("**Franchisor**"), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including, without limitation, any extensions of its term) and afterward as provided in the Agreement, that _____ ("**Franchisee**") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including, without limitation, any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including, without limitation, any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in Sections 22, 23, and 24 of the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or another person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence Franchisor may from time to time grant to Franchisee or to another person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, any release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including, without limitation, any extensions of its term) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or any of its owners and for so long as Franchisor has any cause of action against Franchisee or any of its owners; (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) any Franchisee indebtedness to the undersigned, for whatever reason, whether currently existing or hereafter arising, will at all times be inferior and subordinate to any indebtedness owed by Franchisee to Franchisor or its affiliates.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned will be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he or she may be entitled; and (iii) all rights to assert or plead any statute of limitations or other limitations period as to or relating to this Guaranty. The undersigned expressly acknowledges that the obligations under this Guaranty survive expiration or termination of the Agreement.

If Franchisor seeks to enforce this Guaranty in an arbitration, judicial, or other proceeding and prevails in that proceeding, Franchisor is entitled to recover its reasonable costs and expenses (including, but not limited to, attorneys' fees, arbitrators' fees, expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses, and travel and living expenses) incurred in connection with the proceeding. If Franchisor is required to engage legal counsel in connection with the undersigned's failure to comply with this Guaranty, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs, even if Franchisor does not commence a judicial or arbitration proceeding.

Subject to the arbitration obligations set forth in the Agreement and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where Franchisor has its principal business address when the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. FRANCHISOR AND THE UNDERSIGNED IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY OF THEM. EACH ACKNOWLEDGES THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.

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

GUARANTOR(S)	**PERCENTAGE OF OWNERSHIP IN FRANCHISEE**
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%

EXHIBIT C
TO THE VITAMIN SHOPPE
FRANCHISE AGREEMENT

FRANCHISEE AND ITS OWNERS

Effective Date: This Exhibit C is current and complete as of _____, 20__

Franchisee was incorporated or formed on _____, 20__, under the laws of the State of _____. Franchisee has not conducted business under any name other than Franchisee's corporate, limited liability company, or partnership name and (if applicable) _____. The following is a list of Franchisee's directors or managers (if applicable) and officers as of the effective date shown above:

Name	**Position(s) Held**
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Owners. The following list includes the full name of each person who is one of Franchisee's direct or indirect owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name	**Description of Interest**
_____	_____
_____	_____
_____	_____
_____	_____

Store Manager. Franchisee's Store Manager is _____. His or her contact information for notice is _____.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

EXHIBIT D
TO THE VITAMIN SHOPPE
FRANCHISE AGREEMENT

LEASE RIDER

LEASE PROVISIONS FOR VITAMIN SHOPPE FRANCHISES

The following provisions must be inserted into the lease for the Store you will operate under the "VITAMIN SHOPPE®" brand (the "**Lease**"). You may add this language via a rider or addendum to your Lease as long as the rider or addendum is signed by both the tenant and the landlord. Please send us a copy of the signed Lease and any riders or addenda.

REQUIRED LANGUAGE:

A. During the Term of the franchise agreement (the "**Franchise Agreement**") between Tenant and Vitamin Shoppe Franchising, LLC ("**Franchisor**"), Tenant will use the premises only to operate a The Vitamin Shoppe retail business (the "**Store**").

B. Landlord agrees that Franchisor or a Franchisee of The Vitamin Shoppe Franchise System selected by Franchisor, shall have the right to receive an assignment of this Lease upon transfer, termination or expiration of the Franchise Agreement between Franchisor and Tenant, d/b/a The Vitamin Shoppe Store. Upon such transfer, termination or expiration of said Franchise Agreement, Landlord shall promptly execute an acknowledgement of and consent to the assignment of the Lease.

C. Landlord will send to Franchisor copies of all default notices, and all notices of Landlord's intent to terminate the Lease (or any rights of Tenant under the Lease) or evict Tenant from the leased premises, simultaneously with sending such notices to Tenant. Such notice shall be delivered to Franchisor in writing by overnight delivery by FedEx or other nationally-recognized overnight courier. Landlord and Tenant hereby acknowledge and agree that Franchisor has the right, but is under no obligation, to cure any deficiency under the Lease, if Tenant should fail to do so, within (i) fifteen (15) days after Franchisor's receipt of such notice as to monetary defaults or (ii) thirty (30) days after Franchisor's receipt of such notice as to non-monetary defaults. Such copies must be sent to:

Vitamin Shoppe Franchising, LLC
300 Harmon Meadow Blvd.,
Secaucus, New Jersey 07094
Attn: General Counsel

D. **Consent to Collateral Assignment to Franchisor; Disclaimer**. Landlord acknowledges that Tenant intends to operate the Store in the Premises, and that Tenant's rights to operate the Store and to use the trade and service marks set forth on Exhibit "A" to this Rider are solely pursuant to a franchise agreement dated _____, 20__ (the

"Franchise Agreement") between Tenant and Vitamin Shoppe Franchising, LLC (the "Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor) succeeding to Tenant's interest in the Lease by mutual agreement of Franchisor and Tenant, or as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights and other rights stated to be personal to Tenant shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

E. Franchisor or its affiliates may enter the premises to make any modifications or alterations necessary to protect the Franchise System and the Marks or to cure any default under the Franchise Agreement or Lease at any time and without prior notice to Landlord.

F. Notwithstanding anything contained in the Lease to the contrary or in conflict, it will be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt, or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to Section C above).

G. Landlord acknowledges that the value of The Vitamin Shoppe® brand is derived from the ability to provide uniform products and services and the uniform appearance of its brand, signs, store concept and leasehold improvements. As a result, Landlord shall, without charge, permit Tenant to comply with standard changes and updates by Franchisor to its brand, signs, store concept and leasehold improvements; provided that such changes and updates are not in violation of the

terms of the Lease. In the event that Landlord approval for such changes and updates is required under the Lease, such approval shall not be unreasonably withheld.

H. Franchisor shall have the right, but not the obligation, to enter the Premises to take any action necessary, without damage to the Premises, to protect the Franchisor brand and its trademarks within thirty (30) days after Franchisor receives a notice of termination or expiration of the Lease from Landlord, including, but not limited to, the right to remove, alter or repaint any signage or proprietary items identifying Franchisor. Any material alterations, design or color changes shall require prior Landlord approval, which approval shall not be unreasonably withheld.

I. Franchisor is an intended third-party beneficiary under the provisions set forth above with independent rights to enforce them, and neither Landlord nor Tenant may alter or limit any of those provisions without Franchisor's prior written approval.

J. Landlord agrees to provide Franchisor with a copy of the fully-executed Lease within ten (10) days of its full execution by Landlord and Tenant to the address shown in paragraph C above.

This Addendum amends the Lease between the parties described hereinabove; and except as provided herein, all other terms of said Lease shall remain unchanged.

DATED this _____ day of _____, 20__.

LANDLORD:	TENANT:
_____	_____
Signature	Signature
_____	_____
Title	Title

EXHIBIT E
TO THE VITAMIN SHOPPE
FRANCHISE AGREEMENT

SAMPLE FORM OF CONFIDENTIALITY AGREEMENT

In consideration of my employment or contract with and/or interest in _____ (the "**Franchisee**") and the salary, honorariums, wages, and/or fees paid to me, I acknowledge that **Vitamin Shoppe Franchising, LLC** having its principal place of business at 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094 ("**Franchisor**"), has imposed the following conditions on the Franchisee, any owner of the Franchisee, and the Franchisee's officers, directors, and senior personnel. As a condition of performing services for or having an interest in Franchisee, I agree to accept the following conditions without limitation:

1. Without obtaining Franchisor's prior written consent (which consent Franchisor may withhold in its sole discretion), I will (i) not disclose, publish, or divulge to any other person, firm, or corporation, through any means, any of Franchisor's Confidential Information either during or after my employment by or association with Franchisee, (ii) not use the Confidential Information for any purposes other than as related to my employment or association with Franchisee, and (iii) not make copies or translations of any documents, data, or compilations containing any or all of the Confidential Information, commingle any portion of the documents, data, or compilations, or otherwise use the documents, data, or compilations containing Confidential Information for my own purpose or benefit. I also agree to surrender any material containing any of Franchisor's Confidential Information upon request or upon termination of my employment or association with Franchisee. I understand that the Operations Manual is provided by Franchisor to Franchisee for a limited purpose, remains Franchisor's property, and may not be reproduced, in whole or in part, without Franchisor's prior written consent.

For purposes of this Agreement, "**Confidential Information**" means certain information, processes, methods, techniques, procedures, and knowledge, including know-how (which includes information that is secret and substantial), manuals, and trade secrets (whether or not judicially recognized as a trade secret), developed or to be developed by Franchisor relating directly or indirectly to the development or operation of the Store. With respect to the definition of know-how, "**secret**" means that the know-how as a body or in its precise configuration is not generally known or easily accessible, and "**substantial**" means information that is important and useful to Franchisee in developing and operating Franchisee's Store. Without limiting the foregoing, Confidential Information includes, but is not limited to:

i. information in the Operations Manual and Brand Standards;

i. layouts, designs, and other plans, planograms and specifications for the Stores;

ii. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating the Stores;

iii. marketing research and promotional, marketing, and advertising programs for the Stores;

iv. knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, services, products, materials, and supplies that the Stores use and sell;

v. knowledge of the operating results and financial performance of the Stores other than Franchisee's Store;

vi. customer solicitation, communication, and retention programs, along with Data used or generated in connection with those programs;

vii. all Data and all other information generated by, or used or developed in, the Store's operation, including Consumer Data, and any other information contained from time to time in the Computer System or that visitors (including you) provide to the System Website; and

viii. any other information Franchisor reasonably designates as confidential or proprietary.

2. If there is a dispute or question arising out of the interpretation of this Agreement or any of its terms, the laws of the State of [_____] will govern. *[Insert franchisee's home state.]*

3. I acknowledge receipt of a copy of this Agreement and that I have read and understand this Agreement. This Agreement may not be modified except in writing with the prior approval of an officer of Franchisee.

By:_____
Name:_____
Title:_____
Date:_____

Address:_____
_____
_____
Phone:_____
Email:_____

Check the following that apply:

___ Owner
___ Officer
___ Director
___ Senior Personnel
___ Other (please specify)

EXHIBIT C

DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

between

VITAMIN SHOPPE FRANCHISING, LLC

and

_____

Developer:_____

Area:_____

TABLE OF CONTENTS

Page

1. Grant of Development Rights and Development Area. 1

2. Fees. 1

3. Development Schedule. 2
   - 3.1 Deadlines 2
   - 3.2 Damaged Stores. 2
   - 3.3 Extension of Development Schedule 2

4. Development Area. 2
   - 4.1 Development Area 2
   - 4.2 No Other Restriction On Us 3
   - 4.3 Conversion Stores 3

5. Term. 4

6. Termination. 4
   - 6.1 Events of Default 4
   - 6.2 Our Remedies 5

7. Assignment. 5

8. Franchisee's Covenant Not to Compete. 5
   - 8.1 In-Term Covenants 5
   - 8.2 Post-Term Covenants 6
   - 8.3 Publicly Traded Corporations 6
   - 8.4 Covenants of Others 6
   - 8.5 Enforcement of Covenants 6

9. Incorporation of Other Terms. 6

10. Miscellaneous. 7

Appendix A – Franchisee-Specific Terms
Appendix B – Payment and Performance Guarantee

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this **"Agreement"**) is made and entered into as of the date set forth on Appendix A of this Agreement (the **"Effective Date"**) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Vitamin Shoppe Franchising, LLC, a Delaware limited liability company having its principal place of business at 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094 (**"Franchisor"**), and the person or entity identified on Appendix A as the franchisee (**"Franchisee"**) with its principal place of business as set forth on Appendix A. In this Agreement, **"we," "us,"** and **"our"** refers to Franchisor. **"You"** and **"your"** refers to Franchisee.

RECITALS

A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the **"Initial Franchise Agreement"**), in which we have granted you the right to establish and operate one The Vitamin Shoppe Store (a **"Store"**).

B. We desire to grant to you the exclusive right to establish and operate a specified number of Stores within a specified geographical area in accordance with a development schedule.

C. You desire to establish and operate additional Stores upon the terms and conditions contained in our then-current standard franchise agreements (a "Franchise Agreement).

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Development Rights and Development Area.

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated on Appendix A to this Agreement (the **"Development Area"**) the number of Stores specified in the development schedule in Appendix A (the **"Schedule"**). This Agreement does not grant you any right to use the Marks (as defined in your Initial Franchise Agreement) or the Franchise System (as defined in your Initial Franchise Agreement). Rights to use the Marks and the Franchise System are granted only by the Franchise Agreements.

2. Fees.

Upon execution of this Agreement, you must pay us a development fee, which shall be specified on Appendix A (the "**Development Fee**"), based on the initial franchise fee you must pay for each Store that you agree to develop (the **"Franchise Fee,"** which is specified on Appendix A). The Development Fee shall be equal to 100% of the Franchise Fee due for each Store that you agree to develop under this Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Schedule and do not open or enter into Franchise Agreements for additional Stores.

3. Development Schedule.

3.1 Deadlines. You must enter into Franchise Agreements and open and operate Stores in accordance with the deadlines set forth in the Schedule. By each **"Fee Deadline"** specified in the Schedule, you must have fully paid the Franchise Fee (as defined in this Agreement rather than the then-current Franchise Agreement) and delivered a signed copy of our then-current standard form of Franchise Agreement for the number of Stores specified on the Schedule. By each **"Opening Deadline"** specified in the Schedule, you must have the specified number of Stores open and operating. You must locate the Stores only at sites that we have accepted in accordance with the terms of the applicable Franchise Agreement.

3.2 Damaged Stores. If a Store is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage (**"Destruction Event"**). You must diligently work to repair and restore the Store to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. If a Store is closed due to a Destruction Event, the Store will continue to be deemed a "Store in operation" for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Store (i) is closed in a manner other than those described in this Section 3.2 or as otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies).

3.3 Extension of Development Schedule. You may request an extension of any Opening Deadline upon written notice to us, provided the written notice, setting for the additional time requested and the reasons for the extension are delivered to us no less than 90 days before any Opening Deadline **("Extension Request**"). We have the right, in sole discretion, to grant or deny any Extension Request. If we grant the Extension Request, you shall be required to immediately pay us an extension fee equal to the number of months (up to 12 months) for which the Extension Request is granted multiplied by One Thousand Five Hundred Dollars ($1,500) for each of the first 6 months of the Extension Request and Two Thousand Five Hundred Dollars ($2,500) for the 7th through 12th month, if applicable ("**Extension Fee**"). No Opening Deadline may be extended beyond 12 months. In addition, if we determine you are not using your best efforts to meet the new Opening Deadline, we can terminate our grant of the Extension Request at any time upon written notice to you and you will not be entitled to a refund of any portion of the Extension Fee. Accordingly, your failure to meet the Opening Deadline shall constitute an Event of Default under Section 6.1(b).

4. Development Area.

4.1 Development Area. Except as provided in this Section 4, while this Agreement is in effect, provided that (i) you sign the minimum number of Franchise Agreements and pay the related Franchise Fees in accordance with the Schedule and you have open and operating in the Development Area at any given time at least as many Stores as are required pursuant to the Schedule and (ii) you and your affiliates are in full compliance with this Agreement and any other agreements between you and your affiliates and us and our affiliates, we will not operate, or license any person other than you to operate, a Store under the Marks (as defined in your Initial Franchise Agreement) and the Franchise System (as defined in your Initial Franchise Agreement) within the Development Area. Your rights in the previous sentence related to the Development Area will not apply to Stores (and their related territories) currently operating, approved for development or under development in the Development Area on the Effective Date.

4.2 **No Other Restriction On Us**. Except as expressly provided in Section 4.1 or any other agreement between the parties, we and our affiliates retain the right, in our sole discretion, to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Stores. For example, we and our affiliates have the right:

(a) to own and operate, and to allow other franchisees and licensees to own and operate, the Stores at any locations outside the Development Area (including at the boundary of the Development Area) and on any terms and conditions we and they deem appropriate);

(b) to offer and sell, and to allow others to offer and sell, inside and outside the Development Area, and on any terms and conditions we and they deem appropriate, services and products that are identical or similar to and/or competitive with those offered and sold by the Stores, including all Private Label Products, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet, all omni channels and store within a store concepts and pop-up shops) but not through the Stores that have their physical locations inside the Development Area;

(c) to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Development Area) businesses offering similar services and products under trademarks and service marks other than the Marks;

(d) to acquire the assets or ownership interests of one or more businesses offering and selling services and products similar to those offered and sold at the Stores (even if such a business operates, franchises, or licenses Competitive Businesses (defined below)), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Development Area;

(e) to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling services and products similar to those offered and sold at the Stores, or by another business, even if such a business operates, franchises, or licenses Competitive Businesses inside or outside the Development Area; and

(f) to engage in all other activities this Agreement does not expressly prohibit.

"**Competitive Business**" means any (a) business that provides vitamins, sports nutrition, supplements and other health and wellness products to customers as their primary business, or (b) business granting franchises or licenses to others to operate the type of business described in clause (a), other than the Store operated under a franchise agreement with us.

4.3 **Conversion Stores**. If we acquire any store operating under different trademarks that sells or leases the same, similar or different products and services as those offered and sold by Stores (each a "**Non-System Store**") within the Development Area and we desire to convert such Non-System Store to a Store operating under the Marks, we shall deliver to you a written notice of such intent to convert (each, a "**Conversion Notice**"). We will not offer you,

and you will have no rights to, the option under this Section 4.3 if the Non-System Store is in the Development Area but in the territory of another Store that is not owned by you. Provided that you are in compliance with all of the provisions of this Agreement and no default, or event which with the giving of notice or passage of time or both, would become a default, exists under this Agreement or any other agreement between you and us, you shall have the option, exercisable within 30 days after receipt of such Conversion Notice, to purchase the Non-System Store and convert it to a Store operating under the Marks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate such purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to this Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert.

(a) If we purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you shall be the cash equivalent of the consideration paid by us for the Non-System Store (or, if we purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our proportionate per-store cost, as determined by us in our sole discretion). In addition to the purchase price payable under this Section 4.3, you shall reimburse us for the costs and expenses we incurred in connection with our acquisition of the Non-System Store (pro-rated if the Non-System Store was acquired as part of a multiple store purchase by us). You acknowledge that the value of the Non-System Store may diminish during the 180 day period after our acquisition of the Non-System Store.

(b) If we did not purchase the Non-System Store during the 180 days prior to our delivery of the Conversion Notice, the purchase price, which shall be paid in cash, will be the fair market value of the Non-System Store. If we and you cannot agree on fair market value within a reasonable time, such fair market value shall be determined by two independent appraisers, one of whom shall be chosen by us and the other of whom shall be chosen by you. If such appraisers cannot agree on such fair market value, they shall jointly choose a third independent appraiser, whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us. If you do not elect to purchase and convert the Non-System Store, we may convert the Non-System Store to a Store operating under the Marks without incurring any liability to you.

5. Term.

This Agreement begins on the Effective Date and expires at midnight on the last Opening Deadline date listed on the Schedule (the "**Term**"), unless this Agreement is terminated sooner as provided in other sections of this Agreement.

6. Termination.

6.1 Events of Default. Any one or more of the following constitutes an **"Event of Default"** under this Agreement:

(a) You fail to pay any Franchise Fee or execute any Franchise Agreement by any Fee Deadline specified in the Schedule;

(b) You fail to have open and operating the minimum number of Stores specified in the Schedule by any Opening Deadline specified in the Schedule;

(c) An event occurs which gives us the right under any Franchise Agreement to terminate such Franchise Agreement (regardless of whether we exercise such right); or

(d) You breach or otherwise fail to comply fully with any other provision contained in this Agreement, including Section 8 (Franchisee's Covenant Not to Compete).

6.2 Our Remedies. If any Event of Default occurs under Section 6.1, we may, at our sole election, (i) declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect, (ii) extend any deadlines for a single Store or multiple Stores for any period that we determine and charge you an extension fee that we specify for such extension, or (iii) reduce the size of the Development Area to a lesser area that we determine. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. Your failure to open and thereafter operate Stores in accordance with the Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement.

7. Assignment.

This Agreement and the rights granted to you under this Agreement are personal to you and neither this Agreement, nor any of the rights granted to you hereunder nor any controlling equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason. If you are a corporation, limited liability company, partnership, or other entity, all of your owners of a legal and/or beneficial interest in such entity (the **"Owners"**) are listed on Appendix A of this Agreement. If you or your Owners intend to transfer any interest in you or this Agreement, we shall have a right of first refusal in accordance with the procedure set forth in Section 13(j) (Right of First Refusal) of the Initial Franchise Agreement. We may assign this Agreement or any ownership interests in us without restriction.

8. Franchisee's Covenant Not to Compete.

8.1 In-Term Covenants. You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of the Store concept. During the Term, you, your Owners, and your Owners' spouses will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(a) own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Business other than one authorized by any other agreement between us and you;

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

(c) directly or indirectly, appropriate, use or duplicate the Franchise System or any portion thereof, in any business in which you may have any interest of any kind (whether directly or indirectly) or in which you are otherwise employed, except Stores.

8.2 Post-Term Covenants. For one year after the expiration or termination of this Agreement or an approved transfer to a new franchisee (or the date on which all persons restricted by this Section 8.2 begin to comply with this Section), you and your Owners may not, without our prior written consent, directly or indirectly (e.g., through a spouse or other family member) own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within the Development Area, a 10-mile radius of the Development Area, or a 25-mile radius of any other Store that is operating or under construction at the time of such expiration, termination, or transfer. With respect to the Owners, the time period in this Section 12.2 will run from the expiration, termination, or transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

8.3 Publicly Traded Corporations. Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 8.

8.4 Covenants of Others. The Owners personally bind themselves to this Section 8 by signing the Guarantee that is attached as Appendix B to this Agreement.

8.5 Enforcement of Covenants. You acknowledge and agree that (i) the time, territory and scope of the covenants provided in this Section 8 are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 8 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 8. You acknowledge that any breach or threatened breach of this Section 8 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 8. Such injunctive relief will be in addition to any other remedies that we may have.

9. Incorporation of Other Terms.

Section 10 (Confidential Information), Section 21 (Relationship of the Parties; Indemnification), and Section 22 (Enforcement) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement.

10. Miscellaneous.

Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement, together with the Initial Franchise Agreement, supersedes all prior agreements and understandings, whether oral and written, among the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements among the parties relating to the subject matter of this Agreement. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

VITAMIN SHOPPE FRANCHISING, LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

APPENDIX A
TO THE
DEVELOPMENT AGREEMENT

FRANCHISEE-SPECIFIC TERMS

1. **Effective Date (First Paragraph)**: _____

2. **Franchisee's Name**: _____

3. **Franchisee's State of Organization** *(if applicable):* _____

4. **Development Area (Section 1)**:

_____
_____
_____
_____

5. **Total Development Fee (Section 2)**: $_____.

6. **Franchise Fee for each Store developed pursuant to this Development Agreement (Section 2)**: The Initial Franchise Fee for the first Store that you agree to develop is $39,900. The Initial Franchise Fee for each additional Store that you agree to develop under this Agreement is $25,000.

7. **Development Schedule (Section 3)**: You agree to establish and operate a total of ___ Stores within the Development Area during the term of this Agreement. The Stores must be open and operating in accordance with the following Schedule:

MINIMUM NUMBER OF STORES PAID AND SIGNED The Minimum Number of Stores for Which Franchise Fees Have Been Paid and Franchise Agreements Executed by Each Fee Deadline	**FRANCHISE AGREEMENT DEADLINE** Deadline for Executing Franchise Agreement for The Minimum Number of Stores Paid and Signed	**MINIMUM NUMBER OF STORES OPEN AND OPERATING** The Minimum Number of Stores Open and Operating by Each Opening Deadline	**OPENING DEADLINE** Deadline for Having the Minimum Number of Stores Open and Operating
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___ (the Expiration Date of the Agreement)

8. **Ownership of Franchisee (Section 7)**: If Franchisee is an entity, the following persons constitute all of the owners of a legal and/or beneficial interest in Franchisee:

Name	Percentage Ownership
	_____%
	_____%
	_____%

9. **Additional or Inconsistent Terms (Section 10)**:

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

VITAMIN SHOPPE FRANCHISING, LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

APPENDIX B
TO THE
DEVELOPMENT AGREEMENT

PAYMENT AND PERFORMANCE GUARANTEE

In order to induce Vitamin Shoppe Franchising, LLC (**"Franchisor"**) to enter into a Development Agreement (the **"Development Agreement"**) by and between Franchisor and the Franchisee named in the Development Agreement dated _____to which this Payment and Performance Guarantee (the **"Guarantee"**) is attached (**"Franchisee"**), the undersigned (collectively referred to as the **"Guarantors"** and individually referred to as a **"Guarantor"**) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Development Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the **"Guaranteed Liabilities"**). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Development Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Development Agreement and this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

3. Term: No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of Section 8 of the Development Agreement as though each such Guarantor were the "Franchisee" named in the Development Agreement and agrees that he or she will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Development Agreement and will not take any action that would cause Franchisee to be in breach of the Development Agreement.

5. Dispute Resolution. Section 16 (Dispute Resolution and Governing Law) of the Initial Franchise Agreement (as defined in the Development Agreement) is hereby incorporated herein by reference and will be applicable to any disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Franchisee" referred to in the Development Agreement.

6. Miscellaneous. This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

GUARANTOR(S)	**PERCENTAGE OF OWNERSHIP**
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

Franchise Store Operations Manual

Version 1.4

Contents

Section 1.0 - Introduction 9
1.1 – Welcome to The Vitamin Shoppe Team! 9
1.2 – We are The Vitamin Shoppe 10
1.3 - Our Journey (History of TVS) 21
1.4 – Customer Service Center (CSC) 23
1.5 – Distribution Centers (DC) 23
Section 2.0 - TVS Programs & Services 24
2.1 - Healthy Awards (Loyalty Program) 24
2.1.1 – Loyalty Program Overview 24
2.1.2 - Healthy Awards Program Guide 24
2.2 - Auto Delivery Program (ADP) 24
2.2.1 - Auto Delivery Program Guide 24
2.2.2 - Auto Delivery & BOPUS Guide 24
2.2.3 - Auto Delivery FAQs 25
2.2.4 - Connections AUTO DELIVERY: SAVE THE SUBSCRIPTION 25
2.3 - BOPUS/BOSTS 25
2.3.1 – Maximizing BOPUS/BOSTS 25
2.3.2 – Curbside BOPUS/BOSTS Pick Up Guide 25
Section 3.0 - Store Operations 26
3.1 – Minimum Required days of operation / Hours of Operation 26
3.2 - Open and Closing Procedures 26
3.2.1 – Opening & Closing the Store Policy 26
3.2.2 - Daily Sales Schedule 26
3.2.3 - Daily Media Review 26
3.2.3a - Daily Media Policy 26
3.2.3b - Store Electronic Journal - Daily Media Review 26
3.2.3c - Daily Media Review Form 26
3.2.3d - Bank Deposit Policy 26
3.2.4 - Emergency Closing Procedures 26
3.3 – Customer Service Policies/Procedures 27
3.3.1 - Assisting Customers with Disabilities 27
3.3.2 - Public Breastfeeding Policy 27
3.3.3 - Animal Policy 27
3.3.4 - Lost Children Policy 27
3.3.5 - Bottle & Bag Guidelines 27
3.3.6 - Pandemic Safety Protocols 27
3.3.6a - MOD COVID-19 Checklist 27
3.3.6b - Face Mask Protocol 27

3.3.7 - Transactions: 28
3.3.7a - Cash Acceptance Policy 28
3.3.7b - Credit Card Acceptance Policy 28
3.3.7c – Gift Cards Overview 28
3.3.7d - Gift Card Policy 28
3.3.7e - Merchandise Credits Policy 28
3.3.7f - Coupon Policy 28
3.3.7g - Tax Exempt Policy 28
3.3.7h - Price Match Guarantee Policy 28
3.3.7i - Return Policy 28
3.3.7j - Voids Policy 28
3.3.8 - Merchandise: 28
3.3.8a - Holds Policy 28
3.3.8b - Selling CBD Products 28
3.3.8c - Policy of Selling Detox Products 29
3.3.8d - Product Inquiry & Complaint Process 29
3.4 – Store Management Policies 29
3.4.1 - Cashwrap Policy 29
3.4.2 - Trash Removal Policy 29
3.4.3 - Stockroom Policy 29
3.4.4 - Traffic Counter Policy 29
Section 4.0 - Store Systems 30
4.1 - Point of Sale (POS) 30
4.1.1 – POS Manuals 30
4.1.2 – Quick Reference – Restart POS 30
4.1.3 – EMV (Pin pad) 30
4.1.3a – Credit Debit EMV Guide 30
4.1.3b - Gift Cards EMV 30
4.1.3c - Returns EMV 30
4.1.4 – Contactless Payment Guide 31
4.1.5 - ADP POS Guide 31
4.2 - SOM (Store Order Management) 31
4.2.1 - BOPUS_SOM User Guide 31
4.3 - JDA (Inventory Management) 31
4.3.1 - Carton Receiving User Guide 31
4.3.2 - Vendor Carton Receiving Steps Quick Guide 31
4.3.3 - Vendor Carton Receiving User Guide 31
4.3.4 - Receiving without an ASN 31
4.3.5 - Open PO Inquiry User Guide (Vendor Direct Shipments) 31

4.3.6 - Open Carton Aging User Guide 31
4.3.7 - Store Ticketing User Guide v5 31
4.3.8 - Vendor Carton Audit User Guide 31
4.3.9 - Store Use Option User Guide 31
4.3.10 - Store to Store Transfer User Guide 32
4.3.11 - New Store Shelf Tag User Guide 32
4.3.12- Manifest Reprinting User Guide 32
4.3.13 - Current Month Inventory Balance User Guide 32
4.3.14 - Cycle Count User Guide 32
4.3.15 - Assortment Additions User Guide 32
4.3.16 - Franchise Store Adjustments- Damages, Overages and Multi-Unit Transfers 32
4.4 - Planogram Portal (Merchandising) 32
4.4.1 - How to access a Planogram 32
4.4.2 - Planogram Portal Quick User Guide 32
4.4.3 - Planogram Portal User Guide 32
4.4.4 – Planogram Portal Quick Guide – SKU Lookup 32
4.5 – EasyVista (System Support) 32
4.6 - Ordering Supplies 33
4.6.1 - Supplies Policy 33
4.6.2 - Weeks Lerman Ordering Guide 33
4.7 - The V 33
4.7.1 - The V Handbook (Retail) 33
4.7.2 - Saving Documents from The V to edit 33
4.8 - OKTA/Office 365: 33
4.8.1 - Office 365 User Guide 33
4.8.2 - How to Save to OneDrive 33
4.9 – Concrete ONE 33
4.9.1 – Concrete One Store User Guide 33
Section 5.0 - Brand Standards/Store Presentation 34
5.1 - Store Cleaning Standards 34
5.2 - Store Merchandising & Visual (Signage) Guidelines 34
5.2.1 - How to Read a Floorplan 34
5.2.2 - How to Read a Planogram 34
5.2.3 - Monthly Marketing Planner 34
5.2.4 - HE Staff Picks Program 34
5.3 - Policies 34
5.3.1 - Clearance Table & Fixture Policy 34
5.3.2 - NO Clearance Table Expiration Policy 34
5.3.3 - In-Line Clearance Policy 34

5.3.4 - Signs Policy 34
5.3.5 - Freezer Policy 34
Section 6.0 - Customer Engagement 35
6.1 - We are Health Enthusiasts 36
6.2 - Our Private Brands & Quality Promise 39
6.3 - Connections – TVS Customer Engagement Model 50
6.3.1 - Connections 4.0 – Tools for Driving Sales 50
6.3.2 - Capturing Connections Guide 50
6.3.3 – Five Star Service 51
6.3.4 - Assumptive Selling Training Activity 51
6.4 - MOD: Motivator – Operator - Driver of Results 51
6.4.1 - The MOD Shift Guidelines 51
6.4.2 - MOD Practical Assessment 51
6.4.3 - MOD Final Assessment 51
6.5 - In-Store Sampling 51
6.6 - VBook (iPad Minis) 52
6.6.1 - VBook Policy 52
6.6.2 - VBook User Guide 52
6.7 - VShoppe App 52
Section 7.0 – Inventory Management 53
7.1 - Assortment 53
7.1.1 - Inventory Balance Inquiry at DC 53
7.1.2 - Open PO Inquiry Policy (Vendor Direct Shipments) 53
7.1.3 - Backorder Report 53
7.2 - Receiving Product 53
7.2.1 - Receiving Policy Update 53
7.2.2 - Vendor Carton Receiving Policy 53
7.3 – Store Adjustments & Transfers 53
7.3.1 - JDA User Guide: Franchise Store Adjustments - Damages, Overages and Multi-Unit Transfers 53
7.3.2 - Bill of Lading Procedure for Store-to-Store Transfers 54
7.4 - Rotating & Expiring product 54
7.4.1 - Planogram & Product Rotation Policy 54
7.4.2 - Expiration Policy 54
7.5 - Price Changes 54
7.6 - Product Recalls and Withdrawals 54
7.7 - Cycle Counts/Physical Inventory 54
7.7.1 - Cycle Counts Policy 54
7.7.2 - Physical Inventory Process 54
Section 8.0 - Loss Prevention 55

8.1 - Store Security 55
8.1.1 - Store Access Policy 55
8.1.2 - Alarms Policy 55
8.1.3 - Locks, Keys and Combinations Policy 55
8.1.4 - Safes Policy 55
8.1.5 – Register and Safe Accountability Policy 55
8.1.6 - Bag Checks Policy 55
8.1.7 - Company Property Policy 55
8.2 - Emergencies: 56
8.2.1 - Emergency Quick Reference Guide 56
8.3 - Power Outage/Offline: 56
8.3.1 - Power Outage Procedures 56
8.3.2 - Offline Register Policy 56
8.3.3 - Crash Pack Policy (POS) 56
8.4 - Safety 56
8.4.1 - Safety Policy 56
8.4.2 - Protest-Civil Unrest Guidelines 56
8.5 - Accidents 56
8.5.1 - Work Related Injuries and Customer Accidents 56
8.5.2 - Incident Reports Policy 56
8.6 - Internal/External Loss 56
8.6.1 - Reducing Store Loss Guide (Shrink, Damages, Expired Product) 56
8.6.2 - Shoplifting Policy 56
8.6.3 - Robbery Policy 56
8.6.4 - Burglary Response Policy 56
8.6.5 – Product Tampering Policy 56
8.7 - Legal 57
8.7.1 - Government Inspections Policy 57
8.7.2 - Legal Notices Policy 57
8.8 - Cyber Security Policies, Standards, and Procedures 57
8.8.1 - New Hire Security Awareness Standard 57
8.8.2 - Ongoing Security Awareness Standard 57
8.8.3 - Security Awareness Policy/Standards 57
8.9 - Audits 57
8.9.1 - Store Self Review Access Guide 57
8.9.2 – DSM Store Loss Review 57
Section 9.0 - Human Resources 58
9.1 - Talent 58
9.1.1 - Organizational Competencies 58

9.1.2 - Store Manager Job Description 58
9.1.3 - Assistant Store Manager Job Description 58
9.1.4 - Key Holder Job Description 58
9.1.5 - Sales Lead Job Description 58
9.1.6 - Health Enthusiast Job Description 58
9.2 – Recruiting/Hiring 58
9.2.1 - Recruiting Toolkit Store Managers 58
9.2.2 - Interview Guides 58
9.2.2a – Phone Screen Health Enthusiast, Sales Lead, Key Holder 58
9.2.2b – Phone Screen Store Manager & Assistant Store Manager 58
9.2.2c – Field Interview Guide – Health Enthusiast 58
9.2.2d – Field Interview Guide – Key Holder & Sales Lead 58
9.2.2e – Field Interview Guide – Store Manager & Assistant Store Manager 58
9.2.2f – Health Enthusiast Lanyard Template 58
9.2.3 - Franchisee Statement and Acknowledgement of Employment 58
9.3 - Work Environment 59
9.3.1 – Equal Opportunity Policy 59
9.3.2 - Personal Appearance Guidelines (Dress Code) 59
9.3.2a - V Wear Shop 59
9.3.3 - Smoke Free Workplace 59
9.3.4 - Electronic Communications 59
9.3.5 - Confidentiality Policy 59
9.3.6 - Health Enthusiast Discount Policy 59
Section 10.0 - Training and Development 60
10.1 - Health Enthusiast Onboarding 60
10.1.1 - Health Enthusiast Learning Path 60
10.1.2 - Health Enthusiast Learning Path Leader's Guide 60
10.1.3 - Sales Lead/Key Holder/ASM Companion Guide 60
10.1.4 - Store Manager Companion Guide 60
10.2 - Continuous Education Programs 60
10.2.1 - Continuous Education Overview 60
10.2.2 - Third party training policy 60
10.3 - V-University – Learning Management System 60
10.3.1 - VSU Login Instructions 60
10.3.2 - VSU_VBook Login Instructions 60
10.3.3 - VSU How to Upload a Profile Pic 60
10.3.4 - SM Resources: View Team Transcript 60
10.3.5 - VSU Run Compliance Reports 60
10.3.6 - VSU FAQs 60

Section 11.0 - Marketing and Social Media 61
11.1 - Media Policy 61
11.1.1 -Workplace Recording Policy 61
11.2 - Social Media 61
11.2.1 - Social Media Policy 61
11.2.2 - Instagram Best Practices 61
11.2.3 – VS Photo Release Form 61
11.3 - Vitamin Angels 61
Section 12.0 - Glossary of Acronyms and TVS Terms 61
12.1 - Definitions of key Vitamin Shoppe terminology 61
Section 13.0 – Franchise Principal Operations 62
13.1 – Billing and Payments SOPs 62
13.1.1 – Billing 62
13.1.2 – Payments 62
13.1.3 – Franchise Principal's Responsibility 62
13.1.4 – Franchisor's Responsibility 62
13.2 – Financial Accounting and Bookkeeping 62
13.2.1 – Profit and Loss Statement 62
13.2.2 – Balance Sheet 62
13.2.3 – Sales Tax Reporting 62
13.3 – Annual Activities 62
13.3.1 – Physical Inventory 62
13.3.2 – Annual Renewals 62
APPENDIX 63
Franchise Operations Manual Version History 63

EXHIBIT E

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of the Department
of Financial Protection and Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

320 West 4th Street
Suite 750
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(916) 445-7205

San Diego

1350 Front Street, #2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8565

HAWAII

(for service of process)

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317)232-6681

MARYLAND

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)

Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Corporations Division
Franchise
P.O. Box 30054
Lansing, Michigan 48909
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

NEW YORK

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 (Phone)

(Agent for Service)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

NORTH DAKOTA

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue State Capitol
Fifth Floor Dept 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

(for service of process)

Securities Commissioner
600 East Boulevard Avenue State Capitol
Fifth Floor Dept 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON

Oregon Division of Finance and Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4387

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street
Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

EXHIBIT F

FRANCHISEE REPRESENTATIONS DOCUMENT

ACKNOWLEDGMENT TO
THE VITAMIN SHOPPE® FRANCHISE AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a The Vitamin Shoppe franchise. The purpose of this Acknowledgment is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: (__) Yes (__) No. If no, please comment: _____

2. Have you studied and reviewed carefully our Franchise Disclosure Document and Franchise Agreement? Check one: (__) Yes (__) No. If no, please comment: _____
_____

3. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one (__) Yes (__) No. If no, please comment: _____
_____

4. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document? Check one: (__) Yes (__) No. If yes, please state in detail the oral, written or visual claim or representation: _____
_____
_____

5. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of Vitamin Shoppe Franchising, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, earnings, income or profit levels at any THE VITAMIN SHOPPE location or business, or the likelihood of success at your franchised business? Check one: (__) Yes (__) No. If yes, please state in detail the oral, written or visual claim or representation: _____
_____

6. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of Vitamin Shoppe Franchising, LLC make any statement or promise regarding the costs involved in operating a franchise or that is contrary to, or different from, the information contained in the Franchise Disclosure Document. Check one: (__) Yes (__) No. If yes, please comment: _____

7. Do you understand that the Franchise Agreement (and the representations in the Franchise Disclosure Document) constitute the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: (__) Yes (__) No. If no, please comment: _____
_____
_____

8. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) in Sections 13 and 20.E. of the Franchise Agreement and, if applicable, in Section 8 of the Development Agreement and that an injunction is an appropriate remedy to protect the interests of THE VITAMIN SHOPPE system if you violate the covenant(s)? (__) Yes (__) No. If no, please comment: _____

_____

_____

_____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ACKNOWLEDGMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____

Print Name: _____

Date: _____

Signed: _____

Print Name: _____

Date: _____

Signed: _____

Print Name: _____

Date: _____

APPROVED ON BEHALF OF
VITAMIN SHOPPE FRANCHISING, LLC

Signed: _____

Print Name: _____

Date: _____

Note: All representations requiring prospective franchisees to assent to a release estoppels or waiver of liability are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT G

FORM OF GENERAL RELEASE

SAMPLE RELEASE OF CLAIMS
THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, Vitamin Shoppe Franchising, LLC ("Franchisor") and _____ ("Franchisee") enter into this Release of Claims ("Agreement").

RECITALS

A. Franchisor and Franchisee entered into THE VITAMIN SHOPPE Franchise Agreement dated _____.

B. [NOTE: Described the circumstances relating to the release.].

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENT

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

2. R**elease of Claims by Franchisor.** In consideration of, and only upon full payment of $_____ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

3. **Release of Claims by Franchisee**. In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees but excluding claims under the Maryland Franchise Registration and Disclosure Law), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

4. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other

entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

5. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

6. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

7. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of _____.

8. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____, 20__

FRANCHISOR:
THE VITAMIN SHOPPE
FRANCHISOR, LLC

By _____
Its _____

Dated: _____, 20__

FRANCHISEE:

_____

By _____

EXHIBIT H

STATE-SPECIFIC ADDITIONAL DISCLOSURES AND AGREEMENT RIDERS

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA

The following information applies to franchises and franchisees subject to the California Franchise Investment Act. Item numbers correspond to those in the main body:

THE CALIFORNIA INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

Item 3.

Item 3 is amended to provide that neither we nor any other person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association.

Item 6.

Item 6 is amended to add the following at the end of the section entitled "Late Fee/Interest Expense":

The highest interest rate allowed by law in California is ten percent (10%) annually.

Item 17.

1. California Business & Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

2. Termination of the Franchise Agreement by us because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

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

4. You must sign a general release if you transfer your franchise. This provision may be unenforceable under California law. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000

through 31516). Business and Professions code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

5. The Franchise Agreement requires binding arbitration. The arbitration will occur where our principal business address is located (currently Secaucus, New Jersey) with the costs being borne equally by you and us. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. The Franchise Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

7. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), the Disclosure Document for Vitamin Shoppe Franchising, LLC for use in the State of Illinois shall be amended to include the following:

1. Illinois law governs the franchise agreements.

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

3. A Franchisee's rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, the Franchise Disclosure Document for Vitamin Shoppe Franchising, LLC for use in the State of Indiana shall be amended as follows:

1. Item 8, "Restrictions on Sources of Products and Services," shall be amended by the addition of the following language:

> Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

2. Item 12, "Territory," shall be amended by the addition of the following paragraph:

> We will not compete unfairly with you within a reasonable area.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the end of the Item:

> The Indiana Deceptive Franchise Practices Act requires that any release executed by a Franchisee or transferor must not include any claims arising under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.
>
> The Indiana Deceptive Franchise Practices Act requires that Indiana law govern any cause of action which arises under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.

4. No release language set forth in the Disclosure Document or the Franchise Agreement shall relieve us or any other person directly or indirectly form liability imposed by the laws concerning franchising of the State of Indiana.

5. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF MARYLAND

The following applies to franchises and franchisees subject to Maryland statutes and regulations:

Item 5

1. Item 5 is amended as follows:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by developers shall be deferred until the first Store under the development agreement opens.

Item 12

1. Pursuant to COMAR 02.02.08 16L, the general release required as a condition of relocation approval will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after we grant you a THE VITAMIN SHOPPE franchise.

2. Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A 101 et seq.)

3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Pursuant to COMAR 02.02.08 16L, the general release required as a condition of sale, renewal or assignment will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations:

Item 17

1. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 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.

2. 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 the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

4. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

6. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 23 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or

proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee and development fee constitute part of our general operating funds and will be used as such in our discretion.

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

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

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

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement or development agreement.

8. The following is added to the end of the "Summary" sections of Items 17(v), titled "Choice of forum," and 17(w), titled "Choice of law":

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee or developer by Article 33 of the General Business law of the State of New York.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the Office of State of North Dakota Securities Commissioner, the Franchise Disclosure Document for Vitamin Shoppe Franchising, LLC for use in the State of North Dakota shall be amended as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

2. The following is added to the end of Item 5 of this Disclosure Document:

> Based upon our financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, the initial franchise fee owed by you to us will be deferred until we have fulfilled our initial obligations to you under the Franchise Agreement and your Store opens for business under the Franchise Agreement.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the Franchise Disclosure Document for Vitamin Shoppe Franchising, LLC for use in the State of Rhode Island shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph at the end of the Item:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Vitamin Shoppe Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h.

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

2. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him/her under the franchise. If any provision of the franchise agreement or development agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him/her under the franchise, that provision may not be enforceable.

ADDENDUM TO
THE VITAMIN SHOPPE®
DISCLOSURE DOCUMENT FOR THE
STATE OF WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to RCW 19.100.940, the Franchise Disclosure Document for Vitamin Shoppe Franchising, LLC for use in the State of Washington shall be amended as follows:

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

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

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

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

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

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

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or

(ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offer or sales activity relating to the Franchise Agreement occurred in Illinois and The Vitamin Shoppe you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are a resident of Illinois.

2. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Agreement.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__**

**Effective Date

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, or (b) The Vitamin Shoppe you will operate under the Franchise Agreement will be located in Maryland.

2. Section 6.A. of the Franchise Agreement is amended as follows:

   Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the Franchise Agreement.

3. Sections 5.A, 17.C.ii(i), 17.G., and 18 of the Franchise Agreement are amended as follows:

   Pursuant to COMAR 02.02.08 16L, the general release required will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

6. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

7. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__**

**Effective Date

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) The Vitamin Shoppe you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RELEASES**. The following language is added to the end of Sections 5.A, 17.C(ii)(i), 17.G, 18, and 20.F(iii) of the Franchise Agreement:

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law with respect to claims arising under Minn. Rule 2860.4400D.

3. **TERMINATION**. The following language is added to the end of Section 19.A of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **GOVERNING LAW**. The following language is added to the end of Section 22.G of the Franchise Agreement:

> Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION**. The following language is added to the end of Section 22.H of the Franchise Agreement:

> Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum, or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. If and then only to the extent required by the Minnesota Franchises Law, Sections 22.I and 22.J of the Franchise Agreement are deleted in their entirety.

7. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 22.L of the Franchise Agreement:

> Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company	**FRANCHISEE**
By:_____	_____
Title:_____	[Name]
Date:_____, 20__**	By:_____
	Title:_____
**Effective Date	Date:_____, 20__

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
STATE OF NEW YORK

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____ (the "Franchise Agreement"). This Rider is being signed because (a) you are a resident of the State of New York and The Vitamin Shoppe you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES**. The following language is added to the end of Sections 5.A, 17.C(ii)(i), 17.G, 18, and 20.F(iii) of the Franchise Agreement:

> Notwithstanding the foregoing, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **TRANSFER BY US**. The following language is added to the end of Section 17.A of the Franchise Agreement:

> However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **TERMINATION BY YOU**. The following language is added to the end of Section 19.A of the Franchise Agreement:

> You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW/CONSENT TO JURISDICTION**. The following language is added at the end of Sections 22.G and 22.H of the Franchise Agreement:

> However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 22.L of the Franchise Agreement:

> To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__**

**Effective Date

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
STATE OF NORTH DAKOTA

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____ (the "Franchise Agreement"). This Rider is being signed because (a) you are a resident of the State of North Dakota and The Vitamin Shoppe you will operate under the Franchise Agreement will be located or operated in North Dakota, and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following language is added to the end of Sections 5.A, 17.C(ii)(i), 17.G, 18, and 20.F(iii) of the Franchise Agreement:

> Any release executed will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.

3. **FEES**. The following is added to the end of Section 6.A. ("Initial Franchise Fee") of the Franchise Agreement:

> Based on our financial condition, the North Dakota Securities Commissioner has imposed a financial assurance requirement. Therefore, the initial franchise fee owed by you to us shall be deferred until we have fulfilled our initial obligations to you under the Agreement and your Store opens for business under the Agreement.

4. **LIQUIDATED DAMAGES.** The following language is added to the end of Section 20 of the Franchise Agreement:

> The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

5. **COVENANT NOT TO COMPETE.** Section 20.E of the Franchise Agreement is amended by adding the following:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law.

6. **ARBITRATION.** The third sentence of Section 22.F of the Franchise Agreement is amended to read as follows:

> All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed, provided, however, that to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings will be held at a site to which we and you agree.

7. **GOVERNING LAW**. The following language is added at the end of Section 22.G of the Franchise Agreement:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

8. **CONSENT TO JURISDICTION**. The following language is added at the end of Section 22.H of the Franchise Agreement:

> However, to the extent required by applicable law, but subject to Franchisee's arbitration obligations, Franchisee may bring an action in North Dakota.

9. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. If and then only to the extent required by the North Dakota Franchise Investment Law, Sections 22.I and 22.J of the Franchise Agreement are deleted in their entirety.

10. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 22.L of the Franchise Agreement:

> The statutes of limitations under North Dakota law apply with respect to claims arising under the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company	**FRANCHISEE**
By:_____	_____
Title:_____	[Name]
Date:_____, 20__**	By:_____
	Title:_____
**Effective Date	Date:_____, 20__

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Rhode Island and The Vitamin Shoppe you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW/CONSENT TO JURISDICTION**. The following language is added at the end of Sections 22.G and 22.H of the Franchise Agreement:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company	**FRANCHISEE**
By:_____	_____
Title:_____	[Name]
Date:_____, 20__**	By:_____
	Title:_____
**Effective Date	Date:_____, 20__

RIDER TO THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON

THIS RIDER is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company whose principal business address is 300 Harmon Meadow Boulevard, Secaucus, New Jersey 07094 ("**we**," "**us**," or "**our**"), and _____, a(n) _____ ("**you**" or "**your**").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) The Vitamin Shoppe you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offer or sales activity relating to the Franchise Agreement occurred in Washington.

2. **WASHINGTON LAW**. The following paragraphs are added to the end of the Franchise Agreement:

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

VITAMIN SHOPPE FRANCHISING, LLC, a Delaware limited liability company

By:_____
Title:_____
Date:_____, 20__**

**Effective Date

FRANCHISEE

_____
[Name]

By:_____
Title:_____
Date:_____, 20__

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE DEVELOPMENT AGREEMENT

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(California)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of California pursuant to the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, as follows:

1. If any of the provisions of the Agreement concerning termination and non-renewal of a franchise are inconsistent with either the California Franchise Relations Act or with the federal bankruptcy law (11 U.S.C. §101, et seq.) (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

2. The Agreement requires that it be governed by the laws of the state of Delaware. This requirement may be unenforceable under California law.

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

4. The Agreement requires binding arbitration. The arbitration will occur where our principal business address is located (currently, Secaucus, New Jersey) with the costs being borne equally by you and us. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

5. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Hawaii)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of Hawaii or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Hawaii pursuant to the Hawaii Franchise Investment Law, Hawaii Rev, Stat. §§ 482E, et seq., as follows:

1. Sections 7 and 9 of the Agreement as they relate to termination and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

3. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Illinois)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), as follows:

1. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Agreement.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Indiana)

The following Addendum modifies and supersedes Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe ranchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Indiana pursuant to the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51, as follows:

1. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

2. Section 9 of the Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

3. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Maryland)

The following Addendum modifies and supersedes Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. Section 2 of the Agreement is amended as follows:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by developers shall be deferred until the first Store under the Agreement opens.

2. Pursuant to COMAR 02.02.08 16L, the general release required as a condition of sale will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Minnesota)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. Section 10 of the Agreement is amended to add the following:

   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds, 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 nonrenewal of the Agreement.

2. Section 9 of the Agreement are amended to add the following:

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

3. Section 9 of the Agreement is amended to add the following:

   Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(New York)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of New York pursuant to the General Business Law of the State of New York, Article 33, Sections 680 through 695, as follows:

1. Notwithstanding any provision of the Agreement to the contrary, we will not make any assignment of the Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Agreement.

2. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

4. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(North Dakota)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of North Dakota pursuant to the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, as follows:

1. The Development Agreement shall be amended by the addition of the following Section 11:

The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

2. The following is added to the end of Section 2 ("Fees") of the Agreement:

Based on our financial condition, the North Dakota Securities Commissioner has imposed a financial assurance requirement. Therefore, the Development Fee shall be deferred until we have fulfilled our initial obligations to you under the Agreement and your first Store opens for business under the Agreement.

3. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

4. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Rhode Island)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "Agreement") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Rhode Island pursuant to the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, as follows:

1. This Agreement requires that it be governed by the laws of the State of Delaware. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under § 19-28.1-14.

2. Section 9 of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

5. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

Vitamin Shoppe Franchising, LLC
Addendum to Development Agreement
(Washington)

The following Addendum modifies and supersedes the Vitamin Shoppe Franchising, LLC Development Agreement (the "**Agreement**") with respect to The Vitamin Shoppe franchises offered or sold to either a resident of the State of Washington or a non-resident who will be operating a The Vitamin Shoppe franchise in the State of Washington pursuant to the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, as follows:

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

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

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

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

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

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

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or

(ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Agreement or elsewhere are void and unenforceable in Washington.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
Vitamin Shoppe Franchising, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

EXHIBIT I

LIST OF FRANCHISEES

The names, addresses and telephone numbers of our franchisees and their Stores as of December 25, 2021 are as follows:

None

The names, addresses and telephone numbers of franchisees who had signed Franchise Agreements, but had not opened the related Stores as of December 31, 2021 are as follows:

Franchisee*	Contact Person(s)	Address	City	State	Zip Code	Telephone Number
R&R Valparaiso LLC	Rick and Rochelle Cantrell	702 N 200 E	Valparaiso	IN	46383	(708) 372-2731
Healthy Wealthy Inc.	Muhammad Kamran Awan	14-A Oak Branch Dr	Greensboro	NC	27407	(336) 314-8075
Carpe Vitam, LLC	Joe and Maricella Zayas	3100 E. 14th Street	Brownsville	TX	78521	(956) 541-4157

*all of the above franchisees have also signed Development Agreements

EXHIBIT J

LOAN DOCUMENTS

MASTER AGREEMENT NO. _____

BORROWER AND DEBTOR _____	LENDER AND SECURED PARTY: CONNECTONE BANK 301 Sylvan Avenue Englewood Cliffs, New Jersey 07632	DEBTOR'S INITIALS

1. For your convenience, this Master Agreement (this "**Agreement**") has been written in "Plain English." The words "**you**" and "**your**" refer to the Borrower and Debtor, its permitted successors and assigns. The words "**we**" "**us**" and "**our**" refer to the Lender and Secured Party, its successors and assigns. We agree to make a loan to you as described in each note payment schedule executed from time to time by you and us and attached to this Agreement (each, a "**Schedule**"). Each Schedule shall expressly incorporate the terms of this Agreement and shall constitute a separate loan along with any other writing expressly incorporated into this Agreement or the applicable Schedule. In the event of any conflict between the language of this Agreement and the Schedule, the language of the Schedule shall prevail. This Agreement is not a legal commitment to lend money and we shall have no obligation to enter into any Schedule. This Agreement shall constitute a binding agreement between you and us when we execute the Agreement.

2. As Borrower and Debtor, you unconditionally promise to pay to our order, or the order of our successors or assigns, the principal sum specified in the Schedule plus interest at the rate and in the amounts and at the times set forth in the Schedule commencing on the date the Schedule is accepted and signed by you and us and continuing as set forth therein without need of an invoice. **Your obligations hereunder, including without limitation, your obligations to pay all amounts due hereunder, are absolute, unconditional, non-cancelable, and not subject to cancellation, termination, modification, repudiation, abatement, reduction, diminution, defense, counterclaim, recoupment or set-off for any reason whatsoever.**

3. For valuable consideration and to secure the prompt payment and performance in full of all of your obligations to us hereunder, you hereby grant to us and so pledge and assign to us a first priority security interest under the Uniform Commercial Code in the applicable state ("**UCC**") in the following properties, assets and rights, wherever located, whether now owned or existing or hereafter acquired or arising, and howsoever your interest therein may arise or appear (whether by ownership, lease, security interest, claim, or otherwise) (collectively the "**Collateral**"): (a) all inventory, equipment and fixtures purchased with proceeds of this loan; (b) any other collateral, including Franchise Rights, credit card receivables, notes receivable and chattel paper, set forth in **Exhibit A** to the applicable Schedule; and (c) any and all proceeds of any of the foregoing, including insurance proceeds or other proceeds from the sale, destruction, loss, or other disposition of any of the foregoing, and sums due from a third party who has damaged or destroyed any of the foregoing or from that party's insurer, whether due to judgment, settlement or other process. As additional security for your obligations under each Schedule, you grant to us a security interest in all of the Collateral under each and every other Schedule (the "**Other Schedules**") but only to the extent and so long as we or our assignee are also the Lender and Secured Party with respect to such Other Schedules. You represent, warrant, covenant and agree that: (i) you are and will be the owner of the Collateral, free of all security interests, liens and encumbrances other than the security interest in favor of us and any existing liens consented to by us in writing; (ii) it is the intention of the parties hereto that all tangible Collateral shall consist solely of personal property, and that the same shall not constitute fixtures; (iii) you shall: (A) keep all tangible Collateral in good condition and repair; (B) immediately notify us of any material damage to any such Collateral; (C) not permit any Collateral to be used or kept for any unlawful purpose or in violation of any federal, state or local law; (D) permit us access to the Collateral at all reasonable times; (E) be liable for any expenditures we make to maintain and preserve the Collateral, including without limitation, taxes, levies, insurance, repairs, attorney's and accountant's fees and expenses, and for the collection, repossession, holding, preparation, and sale or other disposition of the Collateral; and (F) not move any Collateral from its current location without our prior written consent.

4. You additionally represent, warrant, covenant and agree that: (a) the information you provided for the underwriting of this loan was full, true and correct in all respects; (b) the proceeds of the loan shall not be used to purchase real estate or an interest therein; (c) **the proceeds of the loan shall be used solely for business or commercial purposes and not for personal, family, household or agricultural purposes;** (d) your execution, delivery, and performance of this Agreement and any related documents, and the grant of the security interest in the Collateral to us, are not in contravention of law or the terms of your organizational and governing documents, or any contract or agreement to which you are a party and this Agreement constitutes your legal, authorized, valid, and binding obligation, enforceable in accordance with its terms; (e) there are no actions, proceedings, or investigations pending or threatened against you, and there are no judgments, federal or state tax liens or other liens, security interests or encumbrances against you, or your assets except as disclosed herein; (f) not less than one hundred twenty (120) days after the end of any fiscal year, you shall deliver to us signed copies of Borrower's and any guarantor's federal tax returns, together with Borrower's annual financial information, including, but not limited to, a balance sheet, profit and loss statements; (g) within thirty days (30) of the end of each fiscal quarter you shall deliver to us quarterly sales figures; and (h) you shall deliver to us any other requested documents as may be necessary to evaluate our ongoing risk position. For the same purpose you hereby authorize the Franchisor, at our request, to supply sales data, royalty payment data, and other such information as may, from time to time, be in Franchisor's possession.

5. You agree to maintain liability insurance in connection with your business and keep the Collateral insured against loss, damage and destruction, providing "special form" insurance coverage, including theft ("Property Insurance") in an amount as and in such form, amounts and coverages as required by your franchise agreement and operating manual. Such insurance must name us or our assignee as loss payee on a 'Lender's Loss Payable' endorsement (ISO form BP 12 03 or CP 12 18 or their equivalent) as an additional insured. You agree to provide us with written evidence of Property Insurance (using ACORD 28 or its equivalent) ("Evidence") prior to or at the commencement of this Agreement and within forty-five (45) days of any subsequent written request from us. You hereby assign to us, as additional security for the payment of the amounts due hereunder, any and all proceeds and all other rights you have under all policies of insurance or substitute insurance covering the Collateral, and you hereby direct the issuer of any such policy to pay directly to us any such monies. If you receive such monies, you agree to hold them in trust for our benefit.

6. If you at any time fail to perform or observe any agreement herein, we may , but are not obligated to, perform, and take any action, which we may deem necessary or desirable to cure or correct such failure. You further hereby irrevocably authorize us at any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that describe the Collateral as all your assets or words of similar effect, regardless of whether such description is greater in scope than the Collateral pledged to us hereunder. You irrevocably authorize and appoint us (and our designee) as your attorney-

in-fact following an Event of Default to execute, endorse or otherwise sign any instrument, document, statement, communication or record desirable to protect or preserve our interest herein, in the Collateral or in any insurance or other proceeds of the Collateral or to correct any errors or omissions herein or in any related document. This power, being coupled with an interest, shall be irrevocable for the term of this Agreement. If you are a Franchisee (Borrower), you further authorize us to share any information regarding this Agreement, including payment history, with your Franchisor and/or Landlord.

7. Any of the following will constitute an event of default hereunder: (a) you fail to pay us any amount when due and do not cure such breach within ten (10) business days (except that the foregoing grace period shall not apply to any payment defaults, including, without limitation, principal and/or interest payments due hereunder); (b) you breach your obligations under paragraph 5 or 10 hereof; (c) you breach any representation, warranty or covenant or fail to perform any other covenants, promises or obligations under: (i) this Agreement, (ii) any Schedule; (iii) any other agreement entered into by you and us or by you and another party if such other agreement is assigned to, held, or serviced by us; (iv) any lease or mortgage affecting the real property where any Collateral is located; (v) any franchise agreement between you and any franchisor; or (vi) any agreement for money borrowed or the lease of real or personal property; (d) you legally dissolve, are adjudicated insolvent or bankrupt or cease to pay your debts as they mature, (e) you make a general assignment for the benefit of or enter into an arrangement with creditors, (f) you apply for or consent to the appointment of a receiver, trustee or liquidator of you or a substantial part of your property, (g) you take action to dissolve or terminate your legal existence, or authorize or file a voluntary petition in bankruptcy or under any similar law, consent to such a petition, or suffer such a petition or proceeding to be instituted against you which remains undismissed for a period of sixty (60) days; (h) if an individual, you die or become legally incompetent; (i) you default under any lease or mortgage applicable to the real estate where the Collateral is located; (j) you merge or sell substantially all of your assets or change your legal name, state of organization or organizational identification number (including, if you are an individual, you incorporate as a corporation, limited liability company, limited partnership or any other entity) without our prior written consent; (k) if there is any material deterioration, impairment, decline in value, or material adverse change in your assets (including, any part of the Collateral), your financial or other condition, or the assets or financial or other condition of any guarantor; (l) you file, record or communicate or attempt to file, record or communicate a UCC termination statement without our prior written consent; (m) we, in good faith, deem ourselves to be insecure; and (n) any of the preceding events occurs with respect to a guarantor, endorser, surety, or accommodation party of any of your obligations to us.

8. If you are in default, at our election, we can: (a) require you to pay to us in immediately available funds, as liquidated damages for the loss of our bargain hereunder and not as a penalty, an amount equal to: (i) all outstanding payments and other sums due and payable hereunder as of the date of the default; plus (ii) all costs and expenses we incur in connection with any repossession, recovery, storage, repair, sale or other disposition of, or realization upon, the Collateral; plus (iii) interest on all of the foregoing at a rate of two percent (2.0%) per month from the date of default until paid; (b) take possession of any Collateral without prior notice or process of law and sell or otherwise realize upon such Collateral in a commercially reasonable manner and apply the proceeds to your obligations hereunder with you remaining liable for any deficiency; (c) require you to assemble the Collateral, and make it available to us at any location selected by us; (d) utilize any remedy available under the Uniform Commercial Code and any other remedies we may have at law, in equity or otherwise; and (e) seize all books and records pertaining to the Collateral, except such books and records which are required to be retained by you pursuant to law, rule or regulation. You hereby waive, to the extent permitted by law, demand, diligence, presentment, notice of dishonor, protest, notice of acceleration and all other notices and rights of every kind in connection with this Agreement or any other document. Except as may be prohibited by applicable law, all of our rights and remedies, whether evidenced by this Agreement, or any other documents shall be cumulative and may be exercised singularly or concurrently. Our election to pursue any remedy will not constitute a waiver of our rights to pursue other remedies and an election to make expenditures or to take action to perform any of your obligations hereunder after your failure to perform, shall not affect our right to declare a Default and exercise our remedies.

9. If any part of any amount due is not paid within ten (10) business days of when due or you have not received written approval for an extension of such payment, you agree to pay a late charge equal to the lesser of five (5%) percent of the past due amount, or the maximum amount permitted by applicable law. You agree to make your payments via mandatory Automated Clearing House or similar processes and if you fail to do so or cause such processes to be discontinued, you agree that your monthly amount due will be increased by a service fee of twenty dollars per payment. If you deposited a security deposit with us ("Security Deposit"), it secures the full performance of all of the terms and conditions of this Agreement, and we may apply all or a portion of the Security Deposit to any of your obligations hereunder. If we apply the Security Deposit to any of your obligations, you shall immediately restore the Security Deposit to its full amount. We shall deduct from the Security Deposit all non-refundable processing and filing fees, unless such fees are remitted by you at inception of this Agreement. The Security Deposit may be commingled with our other funds and shall not bear interest. After all amounts due under this Agreement have been received by us, any Security Deposit remaining shall be remitted to you.

10. **You have no right to sell, transfer, assign, lease, pledge, encumber, abandon, or transfer possession (each, a "Transfer") of any of the Collateral or any of your rights, title or interest in this Agreement and any such attempted Transfer shall be null and void.** We may, without any notice to you or your consent, Transfer any of our rights under this Agreement, any Schedule, or any Collateral and, upon notice, you shall render all performance hereunder to such transferee. You further agree that any such transferee shall have the rights and benefits assigned, but none of the obligations, and will not be subject to any claims, defenses or set-off that you may have against us.

11. This Agreement shall be interpreted, and all rights and liabilities of the parties arising under or related to this Agreement shall be determined and governed as to validity, interpretation, enforcement and effect, by the laws of the State of New Jersey, applied without giving effect to conflict-of-laws principles. Without limiting our right to bring any action or proceeding against you in the courts of other jurisdictions, you hereby irrevocably submit to the jurisdiction of any State or Federal court located in the County of Bergen, State of New Jersey.

12. THE BORROWER AND THE LENDER HEREBY WAIVE ANY AND ALL RIGHTS THAT THEY MAY NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE, TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING EITHER DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING BETWEEN THE BORROWER, THE LENDER OR THEIR SUCCESSORS AND ASSIGNS, OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. IT IS INTENDED THAT SAID WAIVER SHALL APPLY TO ANY AND ALL DEFENSES, RIGHTS, AND/OR COUNTERCLAIMS IN ANY ACTION OR PROCEEDING.

13. You shall indemnify, protect, defend and save harmless the Indemnified Parties from and against any and all losses, damages, expenses or liabilities of any kind or nature and from any suits, claims, or demands, by third parties including reasonable counsel fees incurred in investigating or defending such claim, suffered by any of them and caused by, relating to, arising out of, resulting from, or in any way connected with the this Agreement and the transactions contemplated herein, including any and all losses, damages, expenses or liabilities sustained by the Lender in connection with any environmental sampling or cleanup relating to any properties or assets owned or otherwise used by the Borrower in the operation of its business, or mandated by any applicable environmental law; provided, however, the Borrower shall not be obligated to indemnify, protect, defend and save harmless an Indemnified Party, if the loss, damage, expense or liability was caused by or resulted solely from the gross negligence or willful misconduct of that Indemnified Party. In case any action shall be brought against an Indemnified Party based upon any of the above and in respect to which indemnity may be sought against the Borrower, the Indemnified Party against whom such action was brought, shall promptly notify the Borrower in writing, and the Borrower shall assume the defense thereof, including the employment of counsel selected by the Borrower and reasonably satisfactory to the Indemnified Party, the payment of all costs and expenses and the right to negotiate and consent to settlement. Upon reasonable determination made by the Indemnified Party, the Indemnified Party shall have the right to employ separate counsel in any such action (at your expense) and to participate in the defense thereof. The Borrower shall not be liable for any settlement of any such action effected without its consent, but if settled with the Borrower's consent, or if there be a final judgment for the claimant in any such action, the Borrower agrees to indemnify and save harmless said Indemnified Party against whom such action was brought from and against any loss or liability by reason of such settlement or judgment. The provisions of this Section shall survive the termination of this Agreement and the final repayment of the loan.

14. TO THE FULLEST EXTENT PERMITTED BY LAW, NO CLAIM MAY BE MADE BY THE BORROWER AGAINST THE LENDER OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF THE LENDER FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION OR EVENT IN CONNECTION WITH ANY OF THE FOREGOING (WHETHER BASED ON BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY); AND THE BORROWER HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST.

15. Each of the parties hereto acknowledge that they have been represented by independent legal counsel or have had the opportunity to be represented by independent legal counsel of their choosing, in connection with the execution of this Agreement, that they are fully aware of the terms and conditions contained herein, and that they have entered into and executed the within Agreement as a voluntary action and without coercion or duress of any kind.

16. If any provision hereof or any remedy herein provided is found to be invalid under any applicable law, such provision shall be inapplicable and deemed omitted but all the remaining provisions and remedies shall be in effect in accordance with the intent hereof. You agree and acknowledge that; (a) the terms and conditions indicated above and on the first page are a complete and exclusive statement of our agreement and the same may be modified only by a written agreement signed by all parties hereto and not by course of performance; (b) you have retained a full and complete copy of this Agreement; (c) your obligations will be binding upon your successors, assigns, heirs and legal representatives; (d) any delay or failure to enforce our rights under this Agreement or any Schedule does not prevent us from later enforcing any rights we may have and our waiver of any provision hereunder on any occasion shall not constitute a waiver at any other time or of any other matter.

17. It is the express intent of the parties not to violate any applicable usury laws or to exceed the maximum amount of interest permitted. In the event a court declares that the rate is excessive, any such excess payment will be applied to principal in inverse order of maturity, and any remaining excess will be refunded to you following payment in full hereunder.

Borrower and Debtor: _____	Lender and Secured Party: ___
	CONNECTONE BANK
By: _____	By: _____
_____	Its: _____
Date: _____	Date: _____

Note Payment Schedule No. 1 ("Payment Schedule")
to
Master Agreement No. _____
Dated: _____ between:
CONNECTONE BANK (the "Secured Party") and
_____ (the "Debtor")

This Payment Schedule is attached to and made a part of the Master Agreement referenced above and incorporates by reference all the terms and conditions of that Agreement and any amendments thereto. Debtor understands that, upon Secured Party's acceptance of this Payment Schedule, Secured Party or its assignee will advance the principal loan amount to Debtor and/or certain payees, as and if applicable, and Debtor's non-cancelable payments and other obligations under the Agreement as to this Schedule shall then commence.

Debtor acknowledges that on the date hereof the Lender has made a loan to the Debtor in the principal amount of $_____ ("Loan") and the Loan shall bear interest computed daily on the advanced and unpaid principal amount of said Loan at a fixed rate of interest per annum, for five (5) years, equal to the ___ Year US Treasury Rate plus _____ (__%) per annum; provided, in no event shall the interest rate ever be less than _____(__%) percent per annum. At the end of the first five (5) years the rate shall reset at the then current 5 Year U.S Treasury rate plus_____ (%) until the Loan is paid in full.

"US Treasury Rate" shall mean a rate determined, forty-eight (48) hours prior to funding the loan that is equal to the U.S. Treasury rate on such date as published in The Wall Street Journal from time to time. If The Wall Street Journal U.S Treasury rate is no longer available for reference, the Lender will choose another comparable index. The Wall Street Journal U.S. Treasury rate is only a reference point for determining lending rates.

Commencing on _____, 20__ and continuing on the first (1st) day of each and every month thereafter, the Debtor shall make consecutive monthly payments of principal and interest in the amount of $_____. The final principal payment on _____, 20__ ("Maturity Date") shall be in an amount equal to the then outstanding principal balance the Loan and shall be accompanied by payment of all accrued and unpaid interest, fees, expenses or other sums due and owing under the Agreement.

All computations of interest and fees on the Loan shall be calculated on the basis of actual days elapsed over a 360-day year.

BOTH PARTIES HAVE READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS PAYMENT SCHEDULE AND AGREE TO ITS TERMS.

Borrower and Debtor: _____	Lender and Secured Party: _____
_____	**CONNECTONE BANK** _____
By: _____	By: _____
Its: President _____	Its: _____
Date: _____	Date: _____

SCHEDULE A
Pay Proceeds Direction

By signature below, Debtor authorizes and directs Secured Party to make disbursement(s) of the amounts oaned under the terms and conditions of this Note Payment Schedule to the Master Agreement as follows:

1. Debtor hereby irrevocably instructs Secured Party to disburse the loan proceeds in the respective amounts to the payees designated below. The balance of the principal loan amount, if any, shall be disbursed to Debtor.

2. Disbursement by Secured Party in accordance with the foregoing instructions shall be and constitute payment and delivery to, and receipt by Debtor, of any and all of such proceeds of the principal loan amount

Amount to disburse: **$ TOTAL**	**Payees:**
$ _____	Payee Name: _____
$ _____	Payee Name: _____
$ _____	Payee Name: _____
$ _____	Payee Name: _____
$ _____	Payee Name _____

Signature: _____

UNCONDITIONAL CONTINUING GUARANTY
From _____("GUARANTOR")
OF THE OBLIGATIONS OF
_____ ("BORROWER")
TO CONNECTONE BANK ("LENDER")

For valuable consideration, the adequacy, receipt and sufficiency of which is hereby acknowledged, and because the undersigned (the "Guarantor(s)") will be benefited by the success of the Borrower and have received a guaranty fee or other benefit from Borrower and therefore wish to induce the Lender to enter into one or more finance agreements, loans, installment sales contracts, lease agreements, notes, security agreements, and other financial accommodations or documents with the Borrower (the "Documents"), the Guarantor(s) hereby unconditionally guaranty to the Lender, its successors or assigns the full and punctual payment and performance when due, whether upon demand, at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter, of all of the advances, debts, indebtedness, obligations and liabilities of the Borrower to the Lender, of every kind and nature howsoever created, arising or evidenced, now or hereafter existing, or due or to become due, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether the Borrower's liability is individual, joint or with others and whether recovery upon such indebtedness may be or hereafter become barred or otherwise unenforceable for any reason, including without limitation, lapse of the statute of limitations or the bankruptcy of the Borrower (all such indebtedness and obligations being hereinafter referred to as the "Liabilities"). Each of the Guarantor(s) agrees that this Guaranty shall be binding upon such Guarantor even though all signature spaces below may not be filled in or signed, and regardless of any claim that additional persons had agreed to (but did not) sign this Guaranty. Without limiting the foregoing, the absolute and unconditional guaranty by the Guarantor(s) of the Liabilities include the prompt, full and faithful performance and discharge by the Borrower of each and every term, condition, agreement, representation, warranty and provision on the part of the Borrower contained in any of the Documents or in any modification, amendment or substitution thereof. The Guarantor(s) promise to pay all of the expenses incurred by the Lender in endeavoring to collect the Liabilities or in enforcing this Guaranty, including without limitation collection charges, court costs and attorneys' fees.

THE FOREGOING UNCONDITIONAL GUARANTY OF PAYMENT SHALL ALSO EXTEND TO ANY OBLIGATIONS WHICH BORROWER MAY HEREAFTER INCUR TO THE LENDER UNDER ANY AGREEMENT OR BY REASON OF ANY FINANCIAL ACCOMMODATION BETWEEN THE LENDER AND BORROWER MADE AFTER THE DATE HEREOF WHETHER OR NOT PRESENTLY CONTEMPLATED. This instrument shall continue in full force and effect with respect to each Guarantor until terminated by the actual receipt by the Lender of written notice of termination from such Guarantor. Such termination shall be applicable only to transactions having their inception more than fifteen (15) days after the Lender's actual receipt of such written notice, and rights and obligations arising out of transactions having their inception prior to such termination shall not be affected.

This is a guaranty of payment and performance and not of collection. The obligations of Guarantor(s) hereunder are independent of the obligations of the Borrower under any agreement or instrument relating to the Liabilities or any Document and the liability of Guarantor(s) hereunder is primary. If more than one person or entity has signed this Guaranty, the obligations of each Guarantor shall be joint and several. Separate action or actions may be brought against any Guarantor(s), whether or not such action is brought against the Borrower or any other Guarantor and whether or not the Borrower or any other Guarantor be joined in any action or actions. The obligations of Guarantor(s) hereunder are continuing, absolute and unconditional; shall not be subject to any counterclaim, recoupment, set-off, reduction or defense based on any claim the Guarantor(s) may have against the Lender, the Borrower or any other entity; and shall remain in full force and effect until full performance and payment of all the Borrower's obligations to the Lender with interest. Without limiting the foregoing, the Guarantor(s) shall have no right of subrogation, reimbursement or indemnity and no right of recourse to or with respect to any assets or property of the Borrower, unless and until all of said obligations have been paid or performed in full. Nothing shall discharge or satisfy the liability of Guarantor(s) hereunder except the full performance and payment of all the Borrower's obligations to the Lender with interest.

Guarantors(s) hereby waive any right to require the Lender to: (i) proceed against any other person (including without limitation, the Borrower) to enforce the Liabilities; (ii) proceed against or exhaust any security held by the Lender, (iii) pursue any other remedy in the Lender's power, including without limitation any remedies the Lender may have against any other guarantors of the Liabilities, (iv) give Guarantor(s) any notice with respect to any collateral repossessed from the Borrower or otherwise realized upon by the Lender, or (v) give any notices in connection with the Liabilities or this Guaranty, including without limitation any notice of acceptance and any and all notices and demands of any kind to which the Guarantor may otherwise be entitled but for this waiver, including without limitation all demands of payment and notice of non-payment, protest and dishonor to the Guarantor, or the Borrower, or the makers or endorsers of any notes or other instruments for which the Guarantor is or may be liable hereunder. Guarantor(s) waive any defense arising by reason of any defense of the Borrower or by reason of the cessation of the Borrower's liability under the Agreement. Without limiting the foregoing, Guarantor(s) expressly waive any and all demands for performance, notices of nonperformance or default and notices of cancellation or forfeiture. The Lender may apply all proceeds received from the Borrower, or others, to such part of the Borrower's indebtedness as the Lender may deem appropriate without consulting Guarantor(s) and without prejudice to or in any way limiting or lessening the liability of Guarantor under this Guaranty. **EACH OF THE WAIVERS SET FORTH ABOVE ARE MADE WITH GUARANTOR(S)' FULL KNOWLEDGE OF THEIR SIGNIFICANCE AND CONSEQUENCES, INCLUDING THAT WITHOUT THESE WAIVERS WE MIGHT BE ABLE TO AVOID FURTHER LIABILITY UNDER THIS GUARANTY UPON THE OCCURRENCE OF AN EVENT TO WHICH A WAIVER RELATES, AND THAT PARTIES HERETO BELIEVE THAT UNDER THE CIRCUMSTANCES THE WAIVERS ARE REASONABLE AND NOT CONTRARY TO PUBLIC POLICY OR LAW.**

Guarantor(s) authorize the Lender from time to time to (i) renew, extend, accelerate, or otherwise change the payment terms, or other terms, relating to the Liabilities, or otherwise modify, amend, change or waive compliance with the terms of the Liabilities or any of the Documents; (ii) accept partial payments on the Liabilities; (iii) take collateral for the Liabilities and the obligations of any other person primarily or secondarily liable on the Liabilities, and exchange, release, realize upon or institute any proceeding to realize upon or liquidate any such collateral; (iv) apply such collateral and direct the order or manner of sale thereof as the Lender may determine in its discretion; (v) release or compromise, in any manner, or collect or initiate any proceeding to collect the Liabilities or any portion thereof; (vi) extend additional loans, credit and financial accommodations and otherwise create additional Liabilities; (vii) enforce or institute any proceeding to enforce any other guaranty of the Liabilities or release, or compromise in any manner the obligations of, any other person primarily or secondarily liable on the Liabilities; and (viii) assign this Guaranty without notice to Guarantor(s). Each Guarantor recognizes that its individual credit history may be a factor in the evaluation of the credit history of the Borrower and the value of this Guaranty, and hereby ratifies, consents to and authorizes the Lender's use of consumer credit reports covering Guarantor, in the past, present and future to the extent the Lender, in its sole and absolute discretion, deems it desirable to obtain such information. Guarantor hereby acknowledges and agrees that Guarantor shall have the sole responsibility for obtaining from the Borrower such information concerning the Borrower's financial condition and business operations as the Guarantor may require, and that the Lender has no duty at any time to disclose to the Guarantor any information relating to the business operations or financial condition of the Borrower.

This Guaranty is intended to constitute a valid and enforceable legal instrument. Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty. Guarantor will perform such acts and deliver such documents and information as the Lender may request to carry out the purposes of this Guaranty.

[Guarantor grants to Lender and so pledges and assigns to Lender a security interest in the following properties, assets and rights of Guarantor, wherever located, whether now owned or hereafter acquired or arising and howsoever Guarantor's interest therein may arise or appear (whether by ownership, lease, security interest, claim, or otherwise) (collectively the "Collateral"): (a) all Accounts; (b) all Chattel Paper (including Tangible Chattel Paper and Electronic Chattel Paper); (c) all Instruments; (d) all Goods, including, without limitation, Equipment, motor vehicles, Inventory, Accessions, and As-Extracted Collateral; (e) all Documents; (f) all General Intangibles (including, without limitation, payment intangibles and software); (g) all Deposit Accounts; (h) all Letter-of-Credit Rights; (i) all Investment Property; (j) all Supporting Obligations; (k) any records and data relating to any of the foregoing, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Guarantor's right, title and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media; and (l) any and all proceeds of any of the foregoing, including insurance proceeds or other proceeds from the sale, destruction, loss, or other disposition of any of the foregoing, and sums due from a third party who has damaged or destroyed any of the foregoing or from that party's insurer, whether due to judgment, settlement or other process (capitalized terms used in this Agreement without definition shall have the meanings attributed to such terms in the Uniform Commercial Code as in effect on the date of this Agreement).

Guarantor hereby irrevocably authorizes Lender at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that indicate the Collateral as all assets of Guarantor or words of similar effect, regardless of whether such description is greater in scope than the Collateral pledged to Lender hereunder.]

THE GUARANTOR AND THE LENDER HEREBY WAIVE ANY AND ALL RIGHTS THAT THEY MAY NOW OR HEREAFTER HAVE, POSSESS AND ENJOY UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE, TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING EITHER DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING BETWEEN THE GUARANTOR AND THE LENDER OR THEIR SUCCESSORS AND ASSIGNS, OUT OF OR IN ANY WAY CONNECTED WITH THIS UNCONDITIONAL GUARANTY. IT IS INTENDED THAT SAID WAIVER OF JURY TRIAL SHALL APPLY TO ANY AND ALL DEFENSES, RIGHTS, AND/OR COUNTERCLAIMS IN ANY ACTION OR PROCEEDING. THE GUARANTOR AND THE LENDER RECOGNIZE THAT ANY DISPUTE ARISING IN CONNECTION WITH THE LOAN IS LIKELY TO BE COMPLEX AND CONSEQUENTLY THEY WISH TO STREAMLINE AND MINIMIZE THE COST OF THE DISPUTE RESOLUTION PROCESS BY AGREEING TO WAIVE THEIR RIGHTS TO A JURY TRIAL.

This Guaranty constitutes the entire agreement between the Lender and Guarantor(s) with regard to the subject matter herein. This Guaranty may only be amended by a written instrument signed by the parties against whom enforcement is sought. Waiver by the Lender of any provision hereof in one instance shall not constitute a waiver as to any other instance. The use of any gender shall include all other genders. This Guaranty may be signed in multiple counterparts, all of which together shall constitute one enforceable instrument. Any facsimile copy of this document delivered to the Lender shall be enforceable against each of the undersigned as though it were an original document signed and delivered by such undersigned.

All notices or other communications hereunder to or upon the respective parties shall be in writing and shall be delivered by hand to, or mailed by first class United States mail, postage prepaid, certified, return receipt requested, addressed to, or by personal delivery to, or by a reputable overnight courier service addressed to, the addresses specified below or in the applicable Document.

This Guaranty shall be interpreted and all rights and liabilities of the parties arising under or related to this Guaranty shall be determined and governed as to validity, interpretation, enforcement and effect, by the laws of the State of New Jersey, applied without giving effect to conflict-of-laws principles. Without limiting the Lender's right to bring any action or proceeding against Guarantor(s) in the courts of other jurisdictions, Guarantor(s) hereby irrevocably submit to the jurisdiction of any State or Federal court located in the Bergen County, New Jersey. This Guaranty shall bind the respective heirs, administrators, representatives, successors and assigns of the Guarantor(s).

[the next page is the signature page]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered by its proper and duly authorized representative as of the day and year first above written.

GUARANTOR:

_____

By: _____
Name:
Title:

[signature page to Unconditional Guaranty]

CERTIFICATE OF AUTHORIZATION
FOR GUARANTY

The undersigned hereby certifies that he/she is the (check box) ☐ Secretary (if Guarantor is corporation) ☐ Managing/General Partner (if Guarantor is a partnership) Managing Member (if Guarantor is a limited liability company) of _____. a Corporation organized under the laws of the state of _____(the "**Guarantor**") and hereby agrees and certifies that:

(1) it is in the Guarantor's best interest to guaranty all of the obligations that _____ (the "**Borrower**") owes to **CONNECTONE BANK** (the "**Lender**") under one or more master agreement, finance agreements, lease contracts, loans, installment sales contracts, promissory notes, security agreements or other financial accommodations or documents ("**Documents**"), and the execution, delivery and performance of a Guaranty Agreement (the "**Guaranty**") pursuant to which the Guarantor guarantees the payment and performance of the Borrower under the Documents is hereby authorized, ratified, confirmed and approved;

(2) each of the officers, partners or members of this Guarantor, whose name and signature appear below, or the duly elected or appointed successor of any or all of them, be and he hereby is authorized and empowered in the name and on behalf of this Guarantor to enter into, execute and deliver the Guaranty, the execution and delivery by such officer of such Guaranty being conclusive evidence that all terms thereof are accepted and that such action is hereby authorized, ratified, confirmed and approved;

(3) each such officer, partner or member of the Guarantor is hereby authorized to do and perform all other acts and deeds that may be requisite or necessary to carry fully into effect the foregoing; and

(4) The Lender is authorized to rely upon the aforesaid authorization and certification until receipt by it of written notice of any change, which changes of whatever nature shall not be effective as to the Lender to the extent that it has theretofore relied upon the aforesaid authorization and certification in the above form

Name	Title and/or Ownership Status (e.g. President, Partner or Member	Signature
_____	_____	_____
_____	_____	_____
_____	_____	_____

I FURTHER CERTIFY that the duly elected officers, partners or members of the Guarantor named in Section 4 above continue to hold their respective offices and/or partnership or membership status.

IN WITNESS WHEREOF, I have set my hand and delivered same as of this _____ day of _____, 2021.

By: _____

Its: _____

UNCONDITIONAL CONTINUING GUARANTY OF THE OBLIGATIONS OF

_____ (THE "BORROWER")

TO CONNECTONE BANK (THE "LENDER")

For valuable consideration, the adequacy, receipt and sufficiency of which is hereby acknowledged, and because the undersigned (the "Guarantor(s)") will be benefited by the success of the Borrower and have received a guaranty fee or other benefit from Borrower and therefore wish to induce the Lender to enter into one or more finance agreements, loans, installment sales contracts, lease agreements, notes, security agreements, and other financial accommodations or documents with the Borrower (the "Documents"), the Guarantor(s) hereby unconditionally guaranty to the Lender, its successors or assigns the full and punctual payment and performance when due, whether upon demand, at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter, of all of the advances, debts, indebtedness, obligations and liabilities of the Borrower to the Lender, of every kind and nature howsoever created, arising or evidenced, now or hereafter existing, or due or to become due, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether the Borrower's liability is individual, joint or with others and whether recovery upon such indebtedness may be or hereafter become barred or otherwise unenforceable for any reason, including without limitation, lapse of the statute of limitations or the bankruptcy of the Borrower (all such indebtedness and obligations being hereinafter referred to as the "Liabilities"). Each of the Guarantor(s) agrees that this Guaranty shall be binding upon such Guarantor even though all signature spaces below may not be filled in or signed, and regardless of any claim that additional persons had agreed to (but did not) sign this Guaranty. Without limiting the foregoing, the absolute and unconditional guaranty by the Guarantor(s) of the Liabilities include the prompt, full and faithful performance and discharge by the Borrower of each and every term, condition, agreement, representation, warranty and provision on the part of the Borrower contained in any of the Documents or in any modification, amendment or substitution thereof. The Guarantor(s) promise to pay all of the expenses incurred by the Lender in endeavoring to collect the Liabilities or in enforcing this Guaranty, including without limitation collection charges, court costs and attorneys' fees.

THE FOREGOING UNCONDITIONAL GUARANTY OF PAYMENT SHALL ALSO EXTEND TO ANY OBLIGATIONS WHICH BORROWER MAY HEREAFTER INCUR TO THE LENDER UNDER ANY AGREEMENT OR BY REASON OF ANY FINANCIAL ACCOMMODATION BETWEEN THE LENDER AND BORROWER MADE AFTER THE DATE HEREOF WHETHER OR NOT PRESENTLY CONTEMPLATED. This instrument shall continue in full force and effect with respect to each Guarantor until terminated by the actual receipt by the Lender of written notice of termination from such Guarantor. Such termination shall be applicable only to transactions having their inception more than fifteen (15) days after the Lender's actual receipt of such written notice, and rights and obligations arising out of transactions having their inception prior to such termination shall not be affected.

This is a guaranty of payment and performance and not of collection. The obligations of Guarantor(s) hereunder are independent of the obligations of the Borrower under any agreement or instrument relating to the Liabilities or any Document and the liability of Guarantor(s) hereunder is primary. If more than one person or entity has signed this Guaranty, the obligations of each Guarantor shall be joint and several. Separate action or actions may be brought against any Guarantor(s), whether or not such action is brought against the Borrower or any other Guarantor and whether or not the Borrower or any other Guarantor be joined in any action or actions. The obligations of Guarantor(s) hereunder are continuing, absolute and unconditional; shall not be subject to any counterclaim, recoupment, set-off, reduction or defense based on any claim the Guarantor(s) may have against the Lender, the Borrower or any other entity; and shall remain in full force and effect until full performance and payment of all the Borrower's obligations to the Lender with interest. Without limiting the foregoing, the Guarantor(s) shall have no right of subrogation, reimbursement or indemnity and no right of recourse to or with respect to any assets or property of the Borrower, unless and until all of said obligations have been paid or performed in full. Nothing shall discharge or satisfy the liability of Guarantor(s) hereunder except the full performance and payment of all the Borrower's obligations to the Lender with interest.

Guarantors(s) hereby waive any right to require the Lender to: (i) proceed against any other person (including without limitation, the Borrower) to enforce the Liabilities; (ii) proceed against or exhaust any security held by the Lender, (iii) pursue any other remedy in the Lender's power, including without limitation any remedies the Lender may have against any other guarantors of the Liabilities, (iv) give Guarantor(s) any notice with respect to any collateral repossessed from the Borrower or otherwise realized upon by the Lender, or (v) give any notices in connection with the Liabilities or this Guaranty, including without limitation any notice of acceptance and any and all notices and demands of any kind to which the Guarantor may otherwise be entitled but for this waiver, including without limitation all demands of payment and notice of non-payment, protest and dishonor to the Guarantor, or the Borrower, or the makers or endorsers of any notes or other

instruments for which the Guarantor is or may be liable hereunder. Guarantor(s) waive any defense arising by reason of any defense of the Borrower or by reason of the cessation of the Borrower's liability under the Agreement. Without limiting the foregoing, Guarantor(s) expressly waive any and all demands for performance, notices of nonperformance or default and notices of cancellation or forfeiture. The Lender may apply all proceeds received from the Borrower, or others, to such part of the Borrower's indebtedness as the Lender may deem appropriate without consulting Guarantor(s) and without prejudice to or in any way limiting or lessening the liability of Guarantor under this Guaranty. **EACH OF THE WAIVERS SET FORTH ABOVE ARE MADE WITH GUARANTOR(S)' FULL KNOWLEDGE OF THEIR SIGNIFICANCE AND CONSEQUENCES, INCLUDING THAT WITHOUT THESE WAIVERS WE MIGHT BE ABLE TO AVOID FURTHER LIABILITY UNDER THIS GUARANTY UPON THE OCCURRENCE OF AN EVENT TO WHICH A WAIVER RELATES, AND THAT PARTIES HERETO BELIEVE THAT UNDER THE CIRCUMSTANCES THE WAIVERS ARE REASONABLE AND NOT CONTRARY TO PUBLIC POLICY OR LAW.**

Guarantor(s) authorize the Lender from time to time to (i) renew, extend, accelerate, or otherwise change the payment terms, or other terms, relating to the Liabilities, or otherwise modify, amend, change or waive compliance with the terms of the Liabilities or any of the Documents; (ii) accept partial payments on the Liabilities; (iii) take collateral for the Liabilities and the obligations of any other person primarily or secondarily liable on the Liabilities, and exchange, release, realize upon or institute any proceeding to realize upon or liquidate any such collateral; (iv) apply such collateral and direct the order or manner of sale thereof as the Lender may determine in its discretion; (v) release or compromise, in any manner, or collect or initiate any proceeding to collect the Liabilities or any portion thereof; (vi) extend additional loans, credit and financial accommodations and otherwise create additional Liabilities; (vii) enforce or institute any proceeding to enforce any other guaranty of the Liabilities or release, or compromise in any manner the obligations of, any other person primarily or secondarily liable on the Liabilities; and (viii) assign this Guaranty without notice to Guarantor(s). Each Guarantor recognizes that its individual credit history may be a factor in the evaluation of the credit history of the Borrower and the value of this Guaranty, and hereby ratifies, consents to and authorizes the Lender's use of consumer credit reports covering Guarantor, in the past, present and future to the extent the Lender, in its sole and absolute discretion, deems it desirable to obtain such information. Guarantor hereby acknowledges and agrees that Guarantor shall have the sole responsibility for obtaining from the Borrower such information concerning the Borrower's financial condition and business operations as the Guarantor may require, and that the Lender has no duty at any time to disclose to the Guarantor any information relating to the business operations or financial condition of the Borrower.

This Guaranty is intended to constitute a valid and enforceable legal instrument. Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty. Guarantor will perform such acts and deliver such documents and information as the Lender may request to carry out the purposes of this Guaranty.

THE GUARANTOR AND THE LENDER HEREBY WAIVE ANY AND ALL RIGHTS THAT THEY MAY NOW OR HEREAFTER HAVE, POSSESS AND ENJOY UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE, TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING EITHER DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING BETWEEN THE GUARANTOR AND THE LENDER OR THEIR SUCCESSORS AND ASSIGNS, OUT OF OR IN ANY WAY CONNECTED WITH THIS UNCONDITIONAL GUARANTY. IT IS INTENDED THAT SAID WAIVER OF JURY TRIAL SHALL APPLY TO ANY AND ALL DEFENSES, RIGHTS, AND/OR COUNTERCLAIMS IN ANY ACTION OR PROCEEDING. THE GUARANTOR AND THE LENDER RECOGNIZE THAT ANY DISPUTE ARISING IN CONNECTION WITH THE LOAN IS LIKELY TO BE COMPLEX AND CONSEQUENTLY THEY WISH TO STREAMLINE AND MINIMIZE THE COST OF THE DISPUTE RESOLUTION PROCESS BY AGREEING TO WAIVE THEIR RIGHTS TO A JURY TRIAL.

[Guarantor grants to Lender and so pledges and assigns to Lender a security interest in the following properties, assets and rights of Guarantor, wherever located, whether now owned or hereafter acquired or arising and howsoever Guarantor's interest therein may arise or appear (whether by ownership, lease, security interest, claim, or otherwise) (collectively the "Collateral"): (a) all Accounts; (b) all Chattel Paper (including Tangible Chattel Paper and Electronic Chattel Paper); (c) all Instruments; (d) all Goods, including, without limitation, Equipment, motor vehicles, Inventory, Accessions, and As-Extracted Collateral; (e) all Documents; (f) all General Intangibles (including, without limitation, payment intangibles and software); (g) all Deposit Accounts; (h) all Letter-of-Credit Rights; (i) all Investment Property; (j) all Supporting Obligations; (k) any records and data relating to any of the foregoing, whether in the form of a writing, photograph,

microfilm, microfiche, or electronic media, together with all of Guarantor's right, title and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media; and (l) any and all proceeds of any of the foregoing, including insurance proceeds or other proceeds from the sale, destruction, loss, or other disposition of any of the foregoing, and sums due from a third party who has damaged or destroyed any of the foregoing or from that party's insurer, whether due to judgment, settlement or other process (capitalized terms used in this Agreement without definition shall have the meanings attributed to such terms in the Uniform Commercial Code as in effect on the date of this Agreement).

Guarantor hereby irrevocably authorizes Lender at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that indicate the Collateral as all assets of Guarantor or words of similar effect, regardless of whether such description is greater in scope than the Collateral pledged to Lender hereunder.]

This Guaranty constitutes the entire agreement between the Lender and Guarantor(s) with regard to the subject matter herein. This Guaranty may only be amended by a written instrument signed by the parties against whom enforcement is sought. Waiver by the Lender of any provision hereof in one instance shall not constitute a waiver as to any other instance. The use of any gender shall include all other genders. This Guaranty may be signed in multiple counterparts, all of which together shall constitute one enforceable instrument. Any facsimile copy of this document delivered to the Lender shall be enforceable against each of the undersigned as though it were an original document signed and delivered by such undersigned.

All notices or other communications hereunder to or upon the respective parties shall be in writing and shall be delivered by hand to, or mailed by first class United States mail, postage prepaid, certified, return receipt requested, addressed to, or by personal delivery to, or by a reputable overnight courier service addressed to, the addresses specified below or in the applicable Document.

This Guaranty shall be interpreted and all rights and liabilities of the parties arising under or related to this Guaranty shall be determined and governed as to validity, interpretation, enforcement and effect, by the laws of the State of New Jersey, applied without giving effect to conflict-of-laws principles. Without limiting the Lender's right to bring any action or proceeding against Guarantor(s) in the courts of other jurisdictions, Guarantor(s) hereby irrevocably submit to the jurisdiction of any State or Federal court located in the County Bergen, State of New Jersey. This Guaranty shall bind the respective heirs, administrators, representatives, successors and assigns of the Guarantor(s).

For Individual Guarantor	**For Individual Guarantor**
_____	_____
Signature (Individually, no titles)	Signature (Individually, no titles)
Print Name _____	Print Name: _____
Date: _____	Date: _____
Social Security Number: _____	Social Security Number: _____

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:

	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	April 25, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Wisconsin	April 25, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Vitamin Shoppe Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. [Michigan law requires that Vitamin Shoppe Franchising, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Vitamin Shoppe Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise is David Denker, Ted Vasquez, and Melissa Altmix, 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094; (201) 552-6400.

Issuance date: April 25, 2022

I received a disclosure document from Vitamin Shoppe Franchising, LLC issued on April 25, 2022, that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement
C. Development Agreement
D. Operations Manual Table of Contents
E. List of State Agencies/Agents for Service of Process
F. Franchisee Representations Document
G. Form of General Release
H. State-Specific Additional Disclosures and Agreement Riders
I. List of Franchisees
J. Loan Documents

Date	Prospective Franchisee [Print Name]
(Date, sign, and return to us at our address above or by email to.)	Signature of Prospective Franchisee

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J. Loan Documents

Date	Prospective Franchisee [Print Name]
(Date, Sign, and Keep for Your Own Records)	Signature of Prospective Franchisee