

FRANCHISE DISCLOSURE DOCUMENT**FWR, LLC d/b/a Verlo Mattress Factory Stores****316 N. Milwaukee Street, Suite 406****Milwaukee, Wisconsin 53202****920/568-3100****414/431-1099****www.verlo.com****www.verlofranchise.com****BLACKLINED COPY**

We grant you the right to operate a VERLO® Mattress Factory Stores retail mattress factory store (the “Retail/Assembly Store”). At your Retail/Assembly Store, you will assemble and sell at retail VERLO® custom mattresses and box springs (the “Products”) and certain accessory items for the Products (the “Accessories”). We may also grant you the right to operate up to 10 retail only mattress stores (“Retail Satellite Stores”) in connection with your Retail/Assembly Store.

The total investment necessary to begin operation of a Retail/Assembly Store is from ~~\$269,350~~ 279,250 to ~~\$357,200~~ 383,500. This includes \$51,990 to \$52,985 that must be paid to us and our affiliates. The total initial investment necessary to begin operation of a Retail-Satellite Store is from ~~\$118,900~~ 123,000 to ~~\$168,700~~ 174,880. This includes \$15,000 that must be paid to us and our affiliates. If you sign a multiple store development addendum, you will pay us a development fee of \$65,000 to \$200,000 depending on the number of Retail-Satellite Stores you commit to develop.

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 Jennifer Roethe at 316 N. Milwaukee Street, Suite 406, Milwaukee, Wisconsin 53202, ~~(920) 568-3100~~ 414-431-1099 X.106.

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 23, ~~2012~~ 2013

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN WISCONSIN. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN WISCONSIN THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT WISCONSIN LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of this franchise.

Effective Date: See the next page for state effective dates

STATE EFFECTIVE DATES

The following states require that the 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 disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date	State	Effective Date
Illinois	April 25, 2012 <u>April 23, 2013</u>	North Dakota	May 11, 2012 <u>Pending</u>
Indiana	April 24, 2012 <u>April 23, 2013</u>	Rhode Island	May 22, 2012 <u>Pending</u>
Michigan	April 24, 2012 <u>April 23, 2013</u>	South Dakota	April 24, 2012 <u>April 23, 2013</u>
Minnesota	May 25, 2012 <u>Pending</u>	Washington	July 9, 2012 <u>Pending</u>
New York	June 4, 2012 <u>Pending</u>	Wisconsin	April 24, 2012 <u>April 23, 2013</u>

In the states listed below, the effective date (and issuance date) of this disclosure document is April 23, 2012-2013.

Alabama	Kentucky	North Carolina
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Massachusetts	Oregon
Colorado	Mississippi	Pennsylvania
Connecticut	Missouri	South Carolina
Delaware	Montana	Tennessee
District of Columbia	Nebraska	Texas
Florida	Nevada	Utah
Georgia	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	New Mexico	Wyoming
Kansas		

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