Cotton Management Franchise Agreement - Framework

1. Purpose

This document summarises how Cotton will grow beyond the venues it owns, through a single model: the Cotton Management Franchise Agreement. The partner invests in and owns the venue under the Cotton brand. Cotton places an experienced Cotton manager on site for at least the first year to open and run the venue to Cotton standards, then supervises the operation for the full term. It sets out the model, the commercial terms, the brand system, partner criteria and quality control. A full Management Franchise Manual and Brand Book are in preparation and will support this summary.

The principle is simple: Cotton grows through partners' capital, while Cotton keeps control of the brand, the guest experience and the guest relationship. Every fee is paid to the group, and the brand stays with Cotton IP GmbH.

2. The model

One agreement combines a franchise with hands-on Cotton management in the first year. The partner owns or leases the property, funds the full investment and employs the team.
Term: 10 years, with renewal.

Phase	Duration	Cotton	Partner
1. Opening and management	Minimum 12 months	Places an experienced Cotton manager on site who recruits and trains the team, opens the venue and runs it to Cotton standards	Funds the venue and the team, and appoints its own future manager to work alongside the Cotton manager
2. Handover	When Cotton signs off	Hands over to the partner's manager once agreed standards and results are met	Takes over day-to-day management
3. Supervision	Full term	Scheduled visits, unannounced audits, weekly reporting and an annual brand audit	Operates to the Cotton Manual and reports weekly

If standards slip after handover, Cotton may place a manager on site again, at the partner's cost, until they are restored.

3. Commercial terms

Indicative terms, in line with premium lifestyle hospitality and set for each venue at signing:

Fee	Amount	Paid to
Upfront fee, on signing, non-refundable	€250,000–350,000	Holding
Pre-opening services (design approval, recruitment, training, launch)	Fixed fee per venue	Holding
Cotton manager on site, minimum 12 months	Full employment cost of the manager, plus a management fee of 2–3% of total revenue during the placement	Holding
Franchise fee, for the full term	4–6% of total revenue	Cotton IP GmbH
Brand marketing contribution	1–2% of total revenue	Group marketing fund
Central services (booking, CRM, technology)	At cost	Holding
Supervision and audits	Included in the franchise fee; repeat audits after a failed audit at the partner's cost	Holding

The upfront fee is paid on signing and launches the long-term collaboration: it secures the partner's territory and funds Cotton's early work on concept, design review and planning.
At this level it also confirms the partner's full commitment, so only serious owners proceed, and the fee is received by the group on signing, before any venue opens. Fees on revenue are paid from the first day of trading, independent of profit. Cotton may terminate the agreement if brand standards are not met after a defined cure period.

4. The brand and how it is exposed

Every Cotton venue must feel like Cotton the moment a guest arrives. The Brand Book defines this in detail; in summary:

Identity. Naming follows one convention: Cotton plus the place. Cotton controls the logo, typography, colour palette, signage, uniforms, tableware, music programming and scent. The partner's own name never appears alongside the brand.

Product. A core of Cotton signature dishes and drinks appears on every menu, with the rest built around local produce. Cotton approves the chef , the menu and key suppliers.

Design. Cotton approves the architect, interior designer and all furniture, fixtures and equipment before any work starts. Every venue is designed to be timeless, not fashionable.

Service. One service standard across every venue: how guests are welcomed, recognised and remembered. Senior staff train at an existing Cotton venue before opening.

Exposure. The brand is presented through Cotton's own channels only:

- one website and one booking platform for every venue;
- one shared guest database, owned by Cotton;
- all social media accounts owned and run by Cotton;
- group PR, a shared events calendar, resident artists and travelling pop-ups that move guests between venues;
- visibility in search and AI assistants, managed centrally so every venue is described consistently.

Every venue strengthens the others: a guest at Cotton Ibiza in summer is invited to Cotton St Moritz in winter.

5. Partner and site criteria

Cotton is selective. Every new venue must be able to become an institution, so partners and sites are chosen against clear criteria:

- **Location.** Established premium destinations by the sea or in the mountains, where Cotton's guests already travel.
- **Site.** A position that cannot easily be copied: waterfront, a view, or a historic building.
- **Owner.** Proven financial strength, a long-term view, and a commitment to fund the full investment to Cotton standards.
- **Fit.** An owner who wants Cotton to be Cotton, and accepts Cotton's approval rights on design, team and product.
- **Exclusivity.** Each venue receives an agreed protected territory, and the owner may not operate a competing concept nearby.

6. Quality control and brand protection

Audits. Each venue receives unannounced mystery-guest visits and an annual brand audit. Guest review scores are tracked weekly against agreed targets. A failed audit triggers a defined cure period; repeated failure allows Cotton to terminate.

Reporting. Every venue reports weekly revenue to the group, as Cotton's own venues do today, plus monthly accounts and an annual budget approved by Cotton.

Guest data. All guest data belongs to Cotton and is held in the group CRM, in line with the GDPR. The guest relationship stays with Cotton when an agreement ends.

Sustainability. Every venue meets Cotton's sustainability standards on sourcing, energy, water and waste, and reports annually on them, as owners, lenders and guests increasingly require.

Exit and de-branding. On termination, the partner must remove all Cotton branding within a short fixed period, and may not trade under a similar concept in the territory for an agreed period afterwards. All rights in the brand, the recipes and the design remain with Cotton IP GmbH at all times.

7. What this means for the Investor

- **Growth without heavy capital.** New venues are funded by owners; Cotton contributes the brand, the team and the know-how.
- **Fee income from day one.** Revenue-based fees flow to Cotton Swiss Holding AG and Cotton IP GmbH, of which the Investor owns 25%.
- **A stronger brand asset.** Each franchised venue increases the value of the Cotton brand held in Cotton IP GmbH.
- **Controlled risk.** Cotton keeps approval rights, audit rights and the guest relationship, so the brand cannot be diluted by a weak partner.
- **Next steps.** The full Management Franchise Manual, the Brand Book and the template agreement are in preparation with legal counsel and will be shared with the Investor when complete. Fee levels are indicative and are set for each venue at signing.

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