

FRANCHISE DISCLOSURE DOCUMENT

RHEA LANA'S FRANCHISE SYSTEMS, INC.

(an Arkansas corporation)
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Conway, Arkansas 72032
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Rhea Lana's Franchise Systems, Inc. (pronounced "Re-uh") is offering prospective franchisees the opportunity to purchase and own Rhea Lana's franchises to establish and operate periodic, non-continuous consignment sales of children's clothing and related items. This Franchise Disclosure Document (this "Disclosure Document") describes the terms and conditions on which such offer is being made, including those contained in the franchise agreement to be entered into between the franchisee and Rhea Lana's (the "Franchise Agreement") as more particularly described herein.

The total investment necessary to begin operation of a Rhea Lana's franchise is \$28,675- \$45,900. This includes \$19,625-\$20,450 - that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of the 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 in this document.**

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 <http://www.ftc.gov> for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this disclosure document is March 14, 2024.

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 or Exhibit I.
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 H 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 Rhea Lana's 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 Rhea Lana's franchisee?	Item 20 or Exhibit I 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 B.

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

Special 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 mediation, arbitration and/or litigation only in Arkansas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Arkansas than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

MICHIGAN DISCLOSURE NOTICE

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 thirty (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 five (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 six (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.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to:

Department of the Attorney General
Consumer Protection Division, Franchise Unit
525 Ottawa Street
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48909
(517) 373-7117

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ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

In this Disclosure Document, “Rhea Lana’s”, “we,” “us,” or “our” refers to Rhea Lana’s Franchise Systems, Inc., the franchisor. “You” or “your” refers to the franchisee entity that enters into a Franchise Agreement with Rhea Lana’s but does not include the principals of the franchisee entity.

We are a corporation organized under the laws of Arkansas on December 2, 2011. Our principal place of business is 2765 Blaney Hill Road, Conway, Arkansas 72032. We do business under the name “Rhea Lana’s” and under no other names. Our agents for service of process are listed in Exhibit B.

Our president, Rhea Lana Riner, operated as a sole proprietor (doing business as “The Children’s Clothing Exchange”) from October 1997 to October 19, 2004. The Children’s Clothing Exchange was located at 2840 Anna Lane, Conway, Arkansas 72034. Rhea Lana, Inc. is the parent and the predecessor of Rhea Lana’s Franchise Systems, Inc. and is a corporation organized under the laws of Arkansas on October 19, 2004. Mrs. Riner is the sole shareholder of Rhea Lana, Inc.

Our agent for service of process is Rhea Lana Riner. Our principal business address is 2765 Blaney Hill Road, Conway, Arkansas 72032.

Our parent and predecessor, Rhea Lana, Inc., has been conducting children’s consignment sales in Conway, Arkansas since its formation in 2004 (and before that, operating as The Children’s Clothing Exchange since 1997) and has been conducting similar sales in Little Rock, Arkansas since 2005. Rhea Lana, Inc. began offering franchises for sale in 2008. Rhea Lana’s is not involved in any other business activities. No affiliates of Rhea Lana’s offer franchises in any line of business or provide products or services to the franchisees of Rhea Lana’s.

Description of the Franchised Business

Generally, we sell franchises for the establishment and operation of Rhea Lana’s children’s consignment sales (the “Franchised Business”) pursuant to a franchise agreement (the “Franchise Agreement”).

The Franchised Business is a distinctive program for establishing, advertising and operating periodic, non-continuous consignment sales of children’s clothing and related items (the “System”). The Franchised Business is operated under the trade name “Rhea Lana’s.” To become a Rhea Lana’s franchisee, you will be required to operate your Franchised Business in accordance with our standards and specifications. You will be required to sign a Franchise Agreement and other agreements described in this Disclosure Document and comply with all of your obligations hereunder and thereunder.

A franchisee will hold two events per year – one in the Fall and one in the Spring. Each event will be held at an empty and available space located within the franchise territory, such as a vacant retail store, hotel/convention center, warehouse, armory, etc. The event will take place over one or two weekends with items received for consignment at the facility for a few days immediately before the event. Immediately after the event all unsold items, consignor checks and donated items are distributed from the facility. The event will require a short-term rental of the space, and season to season the facility location will likely change. If the event grows, then a larger space will be needed.

The Application Process. After indicating interest in a Rhea Lana's franchise by providing your contact information electronically, you will be contacted by a Rhea Lana's representative who will welcome you to the process and answer general questions you may have about Rhea Lana's and the application process. If you remain interested, you will have an interview conducted by Rhea Lana Riner, who may forward to you a franchise disclosure document and invite you to fill out a franchise application. Your completed franchise application, including your verified source(s) of funds, will be used to determine if you qualify for a Rhea Lana's franchise. Qualified applicants will be extended an offer to purchase a franchise by Rhea Lana Riner, the only authorized seller of Rhea Lana's franchises. You may enter into a franchise agreement no sooner than fourteen (14) days after your verified receipt of Rhea Lana's franchise disclosure document.

The System. You are required personally to conduct, attend and supervise the consignment sales. You may also appoint a general manager who has successfully completed training by us, and who will devote the necessary time and effort to the active management and operation of the Rhea Lana's franchise. The general manager is not required to own an equity interest in the franchise.

The source of inventory to be sold at the consignment sales is gently used children's and maternity items provided by consignors whom you recruit to participate in the consignment sale events.

You must maintain your own insurance coverage which must (among other things) list Rhea Lana's as an additional named insured. You and all of your general managers and employees must sign and enter into a nondisclosure, noncompetition and non-solicitation agreement with us before accessing or using any confidential information or trade secrets relating to our System.

The principals of the franchise must assure that your Rhea Lana's consignment sales are being conducted properly and in accordance with our standards and methods as provided in the training materials, Brand Guide and the Manual. In addition, we reserve the right to conduct periodic quality assessments of the franchise by attending one or more of your sales, with or without prior notice. Failing two (2) consecutive quality assessments is grounds for termination of the Franchise Agreement by us.

Market and Competition. In general, the sale of children's clothing is a very competitive industry, and the competition for consignment sales of children's clothing and related items varies greatly from market to market. Your competitors may include other franchised consignment sales operations, local consignment shops, garage sales, charitable and school fundraisers, and other persons or entities selling children's clothing. Your ability to conduct competitive Spring and Fall sales will depend upon such factors as consumer demand, location, and local economic conditions.

Industry Specific Laws and Regulations. Your franchise will be subject to federal, state, and local laws and regulations that are applicable to businesses generally and the franchise and consignment industries specifically.

Other Matters. We reserve the right to determine, in our sole discretion, whether to grant a Rhea Lana's franchise to any prospective franchisee. We may offer Rhea Lana franchises in other areas, state or countries on terms and conditions which differ from those contained in this Disclosure Document.

ITEM 2

BUSINESS EXPERIENCE

Rhea Lana Riner **President**

Mrs. Riner has been President of Rhea Lana, Inc. since its formation in 2004, and she has been the principal operator of all of its consignment sales since its formation in 2004 (and before that, operating as The Children's Clothing Exchange since 1997).

Dave Riner **Technical Director**

Mr. Riner is Vice President of Rhea Lana, Inc. He has been involved with Rhea Lana, Inc. since its formation in 2004 (and before that, by The Children's Clothing Exchange since 1997). He created the proprietary software used in the operation of Rhea Lana's franchises.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Application Fee

After receiving this Disclosure Document, if you wish to apply to purchase a franchise, you must pay us a \$50 non-refundable franchise application processing fee, per partner applying. This fee is payable after the pre-sale disclosure period.

Initial Franchise Fee

If you are approved by us as a Rhea Lana's franchise owner and you desire to become a Rhea Lana's franchisee, you must immediately sign the Franchise Agreement. At that time, you must pay to us an initial franchise fee (the "Initial Franchise Fee") of \$19,500. The franchise fee is payable to us in a lump sum and is not refundable under any circumstances.

As determined in our sole discretion, the Initial Franchise Fee may be lower for new territories added by an existing franchise owner who is in good standing. The reduced fee is \$19,000. Existing franchisees in good standing and approved for another territory can operate in another territory for reduced fees by signing a then-current Franchise Agreement (EXHIBIT D) for that new territory.

We reserve the right to change the amount of the franchise application processing fee, the territory reservation, and/or the Initial Franchise Fees.

ITEM 6

OTHER FEES

OTHER FEES			
TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty ¹	3% of the first \$100,000 in Gross Sales from each consignment sale event, 2% of Gross Sales between \$100,001 and \$200,000, 1% of Gross Sales between \$200,001 and \$300,000, 1.5% of Gross Sales between \$300,001 and \$400,000, and 2% of all sales over \$400,001. All royalties are subject to annual minimums, subject to increase up to 4%	30 days after each consignment sales event.	Imposed and collected by the franchisor. Fee is non-refundable. (1) Minimum royalties of \$1,000 per event. The applicable royalty percentage may be increased up to a total royalty percentage of 4%
Optional On-Site Consultation ²	\$250 per day plus travel expenses	Ten days prior to arrival	Imposed and collected by the franchisor. Non-refundable. (2)
Interest ³	Interest on overdue payments	As incurred	Imposed and collected by the franchisor. Interest shall not exceed 10% Non-refundable. (3)
Insurance ⁴	Cost of insurance and, if not obtained by you, our procurement expense and a reasonable fee for Rhea Lana's time.	As incurred	Non-refundable. (4)
Inspection/Audit ⁵	Cost of audit plus any additional reasonable accounting and legal expenses.	As incurred	Imposed and collected by the franchisor. Non-refundable. (5)

OTHER FEES			
TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer ⁶	35% of the then current initial franchise fee	Time of transfer	Imposed and collected by the franchisor. Non-refundable. (6)
Renewal ⁷	\$3,000, plus \$425 if Holiday Event Premium OR \$850 if Successful Territory Premium is exercised. \$500 additional fee if minimum sales requirement is not met.	Time of renewal	Imposed and collected by the franchisor. Non-refundable. (7)
Indemnification ⁸	Cost of liability	As incurred	Non-refundable. (8)
Collection Costs and Attorneys' Fees ⁹	Cost of collection and attorneys' fees	As incurred	Imposed and collected by the franchisor. Non-refundable. (9)
Design Fee ¹⁰	\$175 each event. This rate is subject to change with 30 days written notice.	Feb 1 st , Aug. 1 st , and Nov. 1 st (if having Holiday event)	Imposed and collected by the franchisor. Non-refundable. (10)
Email Marketing Fee ¹¹	Varies based upon size of email list. This rate is subject to change with 30 days written notice.	30 days after the conclusion of each consignment sales event	<u>Imposed and collected by the franchisor.</u> <u>Non-refundable. (11)</u>
Holiday Event Premium ¹²	\$2,250	Upon commencement of third event in the territory in a year	Imposed and collected by the franchisor. Non-refundable. (12)
Successful Territory Premium ¹³	\$4,500	Upon commencement of fourth event in the territory in a year	Imposed and collected by the franchisor. Non-refundable. (13)
Missed Sale Fee ¹⁴	The Sale Royalty Fee calculated for this franchise for the last season during which the sale was not missed or \$1,000, whichever is greater. This rate is subject to change with 30 days written notice.	Dec. 1 st (for missed fall consignment sales) or July 1 st (for missed spring consignment sales)	Missed Sale Fee (14)

OTHER FEES			
TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
eChecks Fee ¹⁵	Current rate is \$0.69 per eCheck sent and \$1.49 per mailed check sent through our eCheck provider. Total varies based upon the numbers of checks issued through our eChecks provider. The rate per eCheck can change with 30 days written notice by Franchisor.	Within 30 days after invoice.	<u>Imposed and collected by the franchisor.</u> <u>Non-refundable. (15)</u>
Technology Fee ¹⁶	Current rate is \$75/month that is billed twice a year. This rate is subject to change with 30 days written notice.	30 days after the conclusion of each consignment sales event	<u>Imposed and collected by the franchisor.</u> <u>Non-refundable. (16)</u>
Non-compliance Charge ¹⁷	Up to \$500 per non-compliance violation	As incurred	<u>Imposed and collected by the franchisor.</u> <u>Non-refundable. (17)</u>
Additional Training for Additional Owners ¹⁸	\$1,500 per additional owner above 2	As used	Additional owners (over two) must pay a fee of \$1,500 per owner to attend the Initial training. (18)

NOTES

¹ For purposes of calculating this royalty fee, “Gross Sales” means revenues generated from sales of all items received from consignors by each Rhea Lana’s consignment sale conducted by you, whether such sales are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Sales does not include the sale of services or products for which refunds have been made in good faith to customers, consignor participation fees, vendor participation fees, the sale of equipment or furnishings used in the operation of the Rhea Lana’s sale, or any sales taxes or other taxes collected from customers by you and paid directly to the appropriate taxing authority. Franchisee agrees to pay Rhea Lana’s the royalty promptly at the end of each event and within thirty (30) days of receipt of Royalty Invoice. You agree that every item sold on consignment at a Rhea Lana event shall be sold utilizing the System. The applicable Royalty percentage may be increased up to a total amount of four percent (4%). Rhea Lana’s will provide at least sixty (60) days’ written notice of any royalty increase. Increases in royalty percentages will not be more than one half percent (1/2%) in any Sale Season (Spring or Fall) and will not increase the royalty percentage more than one percent (1%) during any calendar year up to four percent (4%) total. Minimum royalties are \$1,000 per event.

² This service is not a requirement. For new owners launching their first ever event we will provide at no cost to you a corporate representative for two days to help launch your initial sale. At your request for future events, we will provide a member of our Franchise Support Team to come to your location and provide additional assistance and consultations for a fee of \$250 per day, plus all travel, lodging and meal expenses.

We ask that you request such consultation services at least sixty (60) days in advance of the date(s) for which support is being requested, but we will endeavor to honor all such requests if possible.

³ Under the Franchise Agreement we are entitled to recover interest on any and all amounts due to us if such amounts are not paid in a timely manner. If any payment is overdue, you must pay us immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until

paid, at the rate of 10% per annum, or a rate not to exceed the maximum rate permitted by state law, whichever is less. Our entitlement to interest will be in addition to any other remedies we may have under the Franchise Agreement or otherwise at law or in equity.

⁴ You must purchase and maintain at your sole expense at all times during the term of the Franchise Agreement comprehensive general liability insurance and workman's compensation insurance (which must, among other things, list Rhea Lana's Franchise Systems, Inc. as an additional named insured). If you fail to obtain or maintain the insurance required, we will have the right and authority (but not the obligation) to procure and maintain the required insurance in your name and to charge you for it, which charges, together with a reasonable fee for our expenses in so acting, will be payable by you immediately upon notice.

⁵ We and our designated agents have the right at all reasonable times to examine, copy, and/or personally review, at our expense, your books, records, accounts, and tax returns. We have the right at all reasonable times to remove your books, records, accounts and tax returns for copying. We also have the right, at any time, to have an independent audit made of your books and records. If an inspection or audit reveals that any income or sales have not been reported or have been understated in any report to us, then you must pay us the amount underpaid immediately upon demand, in addition to interest from the date the amount was due until paid, at the rate of ten percent (10%) per annum, or the maximum rate permitted by law, whichever is less, plus all of our costs and expenses in connection with the inspection or audit, including travel costs, lodging and wage expenses, and reasonable accounting and legal fees and costs. These remedies are in addition to any other remedies we may have under the Franchise Agreement or otherwise at law or in equity.

⁶ If there is a transfer of the franchise (as described in the Franchise Agreement), you must pay to us a transfer fee in the amount of thirty-five percent (35%) of the then current Initial Franchise Fee. However, in the case of a transfer to a corporation or limited liability company formed by you for the convenience of ownership (as determined by us), no transfer fee will be required.

⁷ If you renew your rights under the Franchise Agreement, you must pay to us a renewal fee in the amount of \$3,000 for large markets. If you have exercised the Successful Territory Premium, then an additional \$850 must be included in the renewal fee or, if you have exercised the Holiday Event Premium, then an additional \$425 must be included in the renewal fee.

⁸ You must indemnify and hold us, our parent company and our and their officers, directors and employees harmless against any and all claims, losses, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with your operation of the franchise, as well as the costs, including attorneys' fees, of the indemnified party in defending against them.

⁹ You must pay to us all damages, costs, and expenses, including all court costs, mediation costs, and reasonable attorneys' fees, and all other expenses we incur in enforcing any obligation or in defending against any claim, demand, action, or proceeding relating to the Franchise Agreement, including the obtaining of injunctive relief. Such costs, fees and expenses will not be incurred by you if (and only if) you are the prevailing party in a related court action.

¹⁰ You are required to pay a design fee for each event which offsets our costs of redesigning marketing and promotional materials. This rate is subject to change with 30 days written notice.

¹¹ Our email marketing service requires payment of a fee based upon the size of your email list. Current six-month fees range from \$72 for 500 contacts to \$1,433 for 50,000 contacts. This rate is subject to change with 30 days written notice.

¹² You are required to pay a one-time premium when you hold a third event in the same year in your territory. This is called a "Holiday Event Premium."

¹³ You are required to pay a one-time premium when you add a fourth event in the same year in your

territory. This is called a “Successful Territory Premium”

¹⁴ You are required to pay a fee for each consignment sale which you are required to conduct, but fail to conduct, under the Franchise Agreement. The fee is equal to the royalty fee for the last season during which the sale was not missed or \$1,000, whichever is greater. Missed sale royalties are subject to change with 30 days written notice by Franchisor.

¹⁵ Consignors will be paid through our integrated eChecks system. Fees are based upon the number of eChecks or mailed checks issued each event season through our eChecks provider. The rate per eCheck can change with 30 days written notice by Franchisor.

¹⁶ Our current technology fee is \$75/month and will be billed every six months. This includes (2) email addresses per franchise for owners only. Additional email addresses for owners is ten dollars (\$10) per month. The technology fee is billed twice-annually (January & July). Starting from the signing of the Franchise Disclosure Document, Franchisee will pay the pro-rated portion through the next twice-annual billing cycles. This rate is subject to change with 30 days written notice by Franchisor.

¹⁷ A non-compliance charge may be imposed for any violation by you of any term or condition of the Franchise Agreement. This amount will be no more than \$500 per violation.

¹⁸ The initial training includes two owners in the initial franchise fee. Additional owners must pay a fee of \$1,500 per additional owner to attend the initial training. If you choose to bring someone not listed as an owner on the business to training, they will be subject to the \$1,500 fee for initial training. Additional attendees not listed as an owner on the business do not count as one of your two owners allowed to attend with the cost of the initial franchise fee. This fee is subject to change with 30 days written notice by the Franchisor.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$19,500	Lump sum	At the signing of the agreement	Franchisor
Permits & Licenses ²	\$0 - \$500	As arranged	As incurred	Government Authorities
Real Estate ³	\$1,500 - \$5,000 (lease)	As arranged	At signing of lease agreement or monthly	Landlord or Lender
Utility Costs & Deposits ⁴	\$0 - \$750	As arranged	Prior to opening; as incurred	Suppliers
Prepaid Insurance Premiums ⁵	\$100 - \$400	As arranged	As incurred	Insurance Broker

Racks and Tables ⁶	\$1,500 - \$4,000	As arranged	Prior to opening	Suppliers
Signage ⁷	\$500 - \$800	As arranged	Prior to opening	Approved Supplier
Supplies ⁸	\$1,000 - \$3,000	As arranged	Prior to opening	Approved Supplier
Pre-Opening Training ⁹	\$450 - \$1,000	As arranged	Prior to opening	Franchisor / Approved Supplier
Advertising ¹⁰	\$2,000 - \$4,500	As arranged	As incurred	Average of \$2,800 Payable to Franchisor Balance Payable to Media
Technology Fee ¹¹	\$75-\$900 (\$450 twice annually; \$75 per month)	As arranged	\$900 per year, per location billed twice annually	Payable to Franchisor
Computer/Software Equipment ¹²	\$500 - \$1,500	As arranged	Prior to opening; installments	Designated Supplier
Miscellaneous Opening Expenses ¹³	\$1,500 - \$3,000	As arranged	As incurred	Consultants
Additional Funds- 3 months ¹⁴	\$0 - \$1,000	As incurred	As incurred	Employees, suppliers, utilities
Application Fee ¹⁵	\$50	As arranged	With franchise application	Franchisor
TOTAL¹⁴	\$28,675- \$45,900			

NOTES

¹ The initial franchise fee is paid to Franchise for the purchase of agreed upon territory. Franchisees may obtain additional Rhea Lana's franchises for non-adjacent territories by executing an additional Franchise Agreement and paying a reduced Initial Franchise Fee. The franchisor does not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

² Prior to the opening of your Rhea Lana's franchise, you must obtain all necessary permits and licenses. Some territories may not require permits and licenses. You will need to check with local authorities to determine this amount. Should a territory not require a permit or license, no fee will be due.

³ You must own or lease a site for each of your Rhea Lana's consignment sales. The approximate size of the premises needed for your first Rhea Lana's consignment sale will likely be 4,000 to 6,000 square feet of interior space. As your event grows a larger facility will be needed. The rental price for leased premises will vary depending upon the location and the then-current local real estate rental market conditions. You should obtain estimates of rental costs by contacting local commercial realtors before you sign the Franchise Agreement.

⁴ This estimate includes the costs of deposits for gas, electricity, telephone and water services that you will need to operate your Rhea Lana's consignment sales. It may vary greatly by locality. In some instances, these costs may be included in your real estate rental and not charged as an additional fee.

⁵ Before you open your franchise and operate the Franchised Business, you must purchase the insurance coverage required by the Franchise Agreement and described in Item 6 above. The cost of the business insurance coverage will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate, and national or local market conditions. We estimate that you will be required to pay your insurance carrier or agent approximately 25% of the annual premium in advance. The estimate provided in the chart is for 25% of an annual premium covering general liability and worker's compensation.

⁶ This estimate includes the costs of basic display racks, tables and other furniture that comply with our standards and specifications. You may acquire these items from a variety of sources, but we have found stores going out of business and second-hand supply companies are usually the most economical.

⁷ The figures in the chart reflect the estimated cost of interior and exterior signage and other signage that meet our standards, specifications and requirements, including street signs, building signs, and on-site directional signs. The cost of signs depends on the size and location of your Rhea Lana's sales, the particular requirements of the landlord, and local and state ordinances and zoning requirements.

⁸ The estimate in the chart includes office supplies, filing units, cleaning equipment and supplies, extra hangers, cash boxes, calculators, cash registers (if desired), extension cords, telephone lines, ethernet cables, shopping carts, book/video displays, petty cash and tools.

⁹ The estimate in the chart includes training expenses for travel (by car), food, lodging, and payroll expenses for you and your employees required to attend our initial training program before you conduct your first Rhea Lana's consignment sale. This requirement is for a first franchise only. No additional training fee will be charged for Pre-Opening training.

¹⁰ The estimate in the chart represents basic advertising for your first sale plus the costs of promotional items for your grand opening.

¹¹ Our current technology fee is \$75/month and will be billed every six months. This includes (2) email addresses per franchise for owners only. Additional email addresses for owners is ten dollars (\$10) per month. The technology fee is billed twice-annually (January & July). Starting from the signing of the Franchise Disclosure Document, Franchisee will pay the pro-rated portion through the next twice-annual billing cycle. This rate is subject to change with 30 days written notice by Franchisor.

¹² This estimate includes both computer hardware and software. Under the Franchise Agreement, we

have the right to specify or require you to use certain brands, types, makes, and/or models of communications, computer systems, and hardware, including: (a) back office and point of sale systems, and data transmission systems for use at the Rhea Lana's consignment sale; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; and (d) Internet access mode and speed (the "Computer System"). We also have the right under the Franchise Agreement to develop or have developed for us, or to designate: (a) computer software programs that you must use in connection with the Computer System (the "Required Software"), which you must install at your expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install at your expense; (c) the tangible media upon which you record data; and (d) the database file structure of the Computer System. To avoid the expense of purchasing noncompliant products, we suggest that you obtain our approval before you purchase the Computer System and Required Software.

¹³ This category includes the costs of legal and accounting services as well as other expenses typically incurred to begin the operation of any franchise business. These expenses will vary depending on your decisions about how to operate your Rhea Lana's franchise within the standards specified by us.

¹⁴ During the three months after your first sales event you may incur additional expenses, even though you will not be actively selling consignment items from a rented facility. These expenses may include payroll costs if you choose to hire employees to help you. The figures provided in the chart are estimates and we cannot guarantee that you will not have additional expenses starting the business. You should anticipate the need for additional funds to conduct your subsequent consignment sales before the events themselves will generate positive cash flow. The actual amount of additional funds you will need will depend on a variety of factors, such as the number of employees you hire and their rate of pay, your own management and operational skill, economic conditions and competition. These estimated additional funds are based on our experience that some franchisees may share these expenses with other existing business units which they already operate, or may be required to add new services upon beginning a Rhea Lana's franchise. Should you not incur expenses for additional funds, you will not owe fees.

¹⁵ A \$50 application fee, per partner applying, is due to the franchisor at the time of application.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Prior to conducting a sale, you will be required to purchase and install, at your expense, all necessary fixtures and equipment (including telephone(s), computer, printer, and cash register or point-of-sale recording system). We will furnish you with a list of required items and recommendations for other items that might be helpful. The estimated proportion of all required purchases to establish the business and leases to the total purchases and leases of goods and services while operating the business is about 90%.

With few exceptions, you are obligated to purchase marketing print materials directly from us or our designated suppliers. Be aware that we derive profits from those items sold directly by us. In 2023, our revenue from required purchases of marketing print materials made up 9.24% of our total revenue. These marketing materials are estimated to be \$2,800 for a new franchise, or about 15% of your estimated initial investment. They include postcards, brochures, posters, yard signs, magnets, and event passes.

You are required to use Rhea Lana's integrated merchant service (credit card processing) that is compatible with our proprietary Point of Sale program. The cost of the integration with the Point of Sale is covered in your bi-annual Technology Fee payments. Technology partnerships and software are subject to change from time to time. Rhea Lana's reserves the right to require franchisees to use and/or purchase

products required to operate implemented Technology at any time with 30 days written notice.

You will need our approval for other products and equipment, such as style of clothing racks, string tags and labels. We do not issue product specifications and standards to franchisees or approved suppliers. For products requiring approval, we will approve suppliers based on their ability to produce supplies of acceptable quality within 30 business days, and we aim to notify our franchisees within five business days of the approval or disapproval of a new supplier. Specific criteria for supplier approval are available upon request by you. No fees are charged to you for submitting alternative suppliers for approval. Our approval of a supplier may be revoked by us if such supplier does not produce supplies of acceptable quality in a timely manner. We may provide you with a list of pre-approved suppliers, but these lists are made available by us merely for your convenience. You are not required to use or purchase from these sources. None of the pre-approved suppliers are affiliates of ours, nor do we own an interest in or derive any profits from your purchases from the pre-approved suppliers. We do not have any purchasing or distribution cooperatives.

Event Services Agreement: Rhea Lana's Franchise Systems, Inc. requires that any franchisee who desires to offer any services, products, or goods to other franchisees first obtain the written approval of Rhea Lana's Franchise Systems, Inc. Franchisees are prohibited from negotiating with vendors or suppliers on behalf of other franchisees or the franchise system as a whole without first obtaining Rhea Lana's Franchise Systems, Inc written consent. Some franchisees may have skills that they are willing to offer to other franchisees for a fee. Rhea Lana's requires that any franchisee who desires to offer any services, products, or goods to other franchisees first obtain the written approval of Rhea Lana's. A royalty paid to Rhea Lana's Franchise Systems, Inc will be imposed at the time agreement between franchisee and franchisor is established.

We do not negotiate purchase arrangements with suppliers, including pricing terms, for the benefit of franchisees. We do not provide benefits to franchisees based on their purchase of particular products or services or use of particular products.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principle obligations under the Franchise Agreements and other agreements. It will help you find more detailed information about your obligations in these agreements and elsewhere in this Disclosure Document.

FRANCHISEE'S OBLIGATIONS		
OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition lease	N/A	11
b. Pre-opening purchases/leases	N/A	11
c. Site development and other pre-opening requirements	5.2	11
d. Initial and ongoing training	5.2 and 5.4	6, 7 and 11

e. Opening	N/A	11
f. Fees	4, 6.16 and Schedule C	5, 6 and 7
g. Compliance with standards and policies/Manual	6.1 and 6.11	8 and 11
h. Trademarks and proprietary information	6.1, 6.2, 6.3, 6.5, 6.7 and 6.15	13 and 14
i. Restrictions on products/services offered	4.4, 7.2 and 8.1(b)	8 and 16
j. Warranty and customer service requirements	6.10 and 6.14	8
k. Territorial development and sales quotas	2.2	12
l. Ongoing product/service purchases	2.1	8
m. Maintenance, appearance, and remodeling requirements	6.14	8
n. Insurance	6.13	6 and 7
o. Advertising	6.5 and 6.6	11
p. Indemnification	12.3(c), 13.5 and 13.8(a)	6
q. Owner's participation/management/staffing	6.4, 6.10 and 9.3	11 and 15
r. Records and reports	4.9 and 6.12	6
s. Inspections and audits	4.9	6 and 11
t. Transfer	4.6 and 5.9	17
u. Renewal	3	17
v. Post-termination obligations	10 and 11	17
w. Non-competition and other covenants	7.2 and 7.3	17
x. Dispute resolution	5.12	17

y. Other: Conduct consignment sales	6.10 and 6.11	11
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ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11

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

Except as listed below, Rhea Lana's is not required to provide you with any assistance. No advertising funds were used to solicit new franchise sales. Rhea Lana's does not collect advertising funds from franchise owners.

Pre-Opening Obligations

Before you conduct your first Rhea Lana's consignment sale, we are required by the Franchise Agreement to provide the following to you:

1. We will provide initial training, free of charge, for owners (up to 2 owners who sign the Franchise Agreement) (Franchise Agreement, Sections 5.2 and 5.4). Should you want additional owners or attendees not listed on the business entity to attend training, they will be charged \$1,500 each to attend. This training is provided for a first franchise only;
2. We will provide, free of charge, a Consignment Sale Event Kit (Franchise Agreement, Section 5.1(a));
3. We will make available to you advertising and promotional materials at your expense (Franchise Agreement, Sections 5.1 and 5.4);
4. We will loan you a copy of our Confidential Operating Manual (198 pages in total) and is available on our owners website for your use (Franchise Agreement, Section 6.8); and
5. We will give you access to a functioning web site which must be customized by you (Franchise Agreement, Section 5.1).
6. A copy of our Brand Guide is available on our owners website for your review.

Typically, a new franchisee will sign the Franchise Agreement and then come to an existing sale for training. The sales take place seasonally (Spring and Fall). As a result, a franchisee might have their first sale 3-9 months after signing the Franchise Agreement. This is enough time to get the associated short term site leases, signage, clothing racks and other equipment, advertise for the event and address any other

requirements.

You may operate your events from any location within the Territory without approval from us. You must hold your first sales event within 300 days after the execution of the Franchise Agreement and thereafter hold at least two (2) Consignment Sales Events in the Territory every twelve (12) months, one event in the Spring and one event in the Fall. You are solely responsible for finding a site for your sale within your Territory. Rhea Lana's does not find the site nor does Rhea Lana's approve or assist the franchisee in leasing any site for a consignment sale within the franchisee's Territory. You are solely responsible for selection of a suitable site to operate the Franchised Business within your Territory. You are solely responsible for adhering to local ordinances and building codes and obtaining permits. Any construction, remodeling or decorating is also your sole responsibility.

Advertising Programs

All advertising and promotion by you must be in such media and of such type and format as we may approve, including television, print media (including yellow pages), radio, local promotional events and apparel worn at events, must be conducted in a dignified manner, and must conform to such standards and requirements as we may specify. You may not use any advertising or promotional plans or materials unless and until you have received prior written approval from us (Franchise Agreement, Section 6.5 and 6.6). You must submit to us for our prior written approval samples of all advertising and promotional plans and materials to be used in any print, broadcast, cable, electronic, computer or other media (including the Internet) that you wish to use and that we have not prepared or previously approved within the preceding six (6) months (except with respect to minimum prices to be charged). You may not use such plans or materials until they have been approved in writing by us. If written approval is not received by you within ten (10) days from the date of receipt by us of such materials, we will be deemed not to have given the required written consent (Franchise Agreement, Section 6.5).

We will make available to you, at your expense, approved advertising and promotional materials, including merchandising materials, point-of-purchase materials, and materials for special promotions (Franchise Agreement, Sections 5.1 and 6.6).

We do not have a council composed of franchisees to advise us on our advertising policies, and you are not required to participate in local or regional cooperatives or any other advertising fund. We currently conduct advertising for the overall franchise system but are not obligated to do so.

We have the right to establish and maintain a web site, which may promote the System. We have the sole right to control all aspects of the web site, including its design, content, functionality, links to other web sites, legal notices, and policies and terms of usage. Except as approved in advance in writing by us, you may not establish or maintain any web site, or otherwise maintain a presence or advertise on the Internet or any other public computer network, in connection with your Rhea Lana's franchise. If you establish an approved Facebook, Twitter, Instagram or any other social media presence on the Internet using the name "Rhea Lana's", then such web presence will automatically become our sole property, is subject to our review and direction regarding tone, content and similar matters, and must be operated for the exclusive benefit of your Rhea Lana's franchise and not for any other purposes whatsoever (Franchise Agreement, Section 6.15). You must designate us as an administrator and provide login information to us on all approved social media accounts. You may never remove, deactivate or delete any social media account associated with your Rhea Lana's franchise for any reason.

Computer System

We have the right to specify or require that certain brands, types, makes, and/or models of

communications, computer systems, and hardware be used by you, including the Computer System (Franchise Agreement, Section 3.2(d)). The initial cost of this equipment is estimated to be \$500 to \$1,500.

We also have the right, but not the obligation, to develop or have developed for it, or to designate: (a) the Required Software, which you must install at your expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install at your expense; (c) the tangible media upon which you record data; and (d) the database file structure of the Computer System. Database and address lists associated with Rhea Lana's franchises are the sole property of Rhea Lana's, and we have independent access to this information about your sale through our web server. Computer equipment and software upgrades are expected to be required annually or less frequently and are limited contractually to less frequently than once per year. The cost of upgrades is limited contractually to be less than \$1,000 per station annually. We do not have a contractual obligation to provide maintenance, repairs, updates or upgrades to your computer system, and we do not have a contractual right to independently access your owned computer system.

We have the right to specify or require that certain web-based services be utilized by you for email, ticket purchases, social media, payroll, sign-ups, etc. Some of these services will be come with a cost paid by you.

Manual

The Table of Contents of the Manual is listed as Exhibit F.

You must operate your franchise, including your consignment sales events, in accordance with the standards, methods, policies, and procedures specified in the Manual that we loan to you. We may revise the contents of the Manual, and you must comply with each new or changed standard. You must ensure that your copy of the Manual is kept current at all times.

Training Program

Chapter	Subject	No. of Pages	Classroom Training	Hand-On Training
	Core Values	3	15 mins.	
Chapter 1	Rhea Lana's Story	6	30 mins.	
Chapter 2	The Heart of our Company	6	30 mins.	
Chapter 3	From One Owner to Another	6	30 mins.	
Chapter 4	Financial Foundation	8	60 mins.	
Chapter 5	Consignor Earnings + Participation Fees	6	30 mins.	
Chapter 6	Dashboard Set-Up	12	60 mins.	
Chapter 7	POS Software Set-Up	12	60 mins.	
Chapter 8	Internet + Computer Network Setup	26	30 mins.	

Chapter 9	Equipment + Supplies	8	30 mins.	
Chapter 10	Event Framework	10	30 mins.	
Chapter 11	Intentional Marketing to Moms	16	120 mins.	120 mins.
Chapter 12	Shopping Schedules	6	60 mins.	
Chapter 13	Pre-Sale Tickets	6	30 mins.	
Chapter 14	Employees	7	30 mins.	
Chapter 15	Sponsorships	8	15 mins.	
Chapter 16	RL Gives Back	5	15 mins.	
Chapter 17	Move In + Set Up	6	30 mins.	30 mins.
Chapter 18	Drop-Off Days	8	60 mins.	60 mins.
Chapter 19	Merchandising Day	20	30 mins.	120 mins.
Chapter 20	Pre-Sale	6	60 mins.	120 mins.
Chapter 21	Public Days	4	30 mins.	15 mins.
Chapter 22	25% Off Days	4	30 mins.	15 mins.
Chapter 23	Half-Price Pre-Sale	4	30 mins.	15 mins.
Chapter 24	Sort	14	30 mins.	60 mins.
Chapter 25	Consignor Pick-Up Day	6		30 mins.
Chapter 26	Paying Consignors	5		60 mins.
Chapter 27	End of Season Reports	4		15 mins.
Chapter 28	The Off Season	3		15 mins.
	Additional Resources	12		60 mins.

*All hands-on and classroom training will take place at a Rhea Lana's Consignment Sale location approved by Rhea Lana's Franchise Systems, Inc.

Every franchise owner with a twenty-five percent (25%) or more interest who will be involved in operational business decisions must attend and satisfactorily complete Rhea Lana's initial training program or must obtain a written waiver from Rhea Lana's. Rhea Lana's reserves the right to grant or deny any request for a waiver in Rhea Lana's sole discretion. If you or your business entity decide to take on any twenty-five percent (25%) owner of your franchise after the initial signing of the Franchise Agreement, we require the new business partner be fully trained in all aspects of the business, and they must complete the required Rhea Lana's Initial Training Program and pay training fees at that time. Our initial training program (the "Initial Training Program") will consist of approximately five (5) days of training and will take place at either a) one of our corporate events in the Fall or Spring in Conway or b) an existing franchise event in a convenient location. Our instructors are employees of Rhea Lana's and/or experienced sale managers who each have at least 5 years of experience in holding our events.

Business partners with twenty-five percent (25%) or more owners who are added to your franchise will be considered transferees and must complete the Initial Training Program. The training fee for the added business partners (up to two (2) owners) will be covered under the stated Transfer Fee, which is thirty-five percent (35% of the current franchise fee) and you can expect similar costs for their expenses during training. The Franchisee must pay all costs incurred by Franchisee in connection with attending and satisfying Rhea Lana's training requirement. Business partners that are added to the Franchised Business must complete training within 6 months of being added to the business or before the first event held as a member of the business entity.

Training materials for operating your first franchise consist of the Manual, and attendance at the Initial Training Program is mandatory. While there is no additional cost for the Initial Training Program, all transportation, lodging, meal or other expenses incurred by you to attend this mandatory training are your responsibility. The franchisee or a designated manager must complete our training program before the opening of that franchise. We hold an optional annual franchise conference at which additional training is available. The cost of this annual franchise conference is around \$750 plus all expenses incurred by you in traveling to/from and attending the conference. Additional training or refresher courses may be offered by Franchisor from time to time, but these are not required.

Our Obligation During and Between the Events

We will use our best efforts to make our personnel available to you for consultation throughout the term of your franchise at no additional charge, except for reimbursement of direct costs or in the event an on-site consultation is requested by you (Franchise Agreement, Sections 5.4 and 5.5).

ITEM 12

TERRITORY

Except as otherwise provided in the Franchise Agreement, during the term of the Franchise Agreement we will not establish or operate, or license to any other person to establish or operate, a Rhea Lana's consignment sale under the System at any location within the territory described in your Franchise Agreement ("Territory"). Your Territory will be exclusive. The size of your Territory could vary depending on market conditions and the population density of the area. Territories usually consist of an area covered by 4 to 8 zip codes, but it may vary significantly, particularly in densely or sparsely population areas. A sparsely populated territory might include one or more counties. A densely populated territory might contain only four metro zip codes. This Territory will not be altered based upon your achieving or not achieving certain goals such as sales volume or market penetration. Changes in the Territory, such as demographic changes, will not modify your rights to operate in your Territory.

You may operate your events from any location within the Territory without approval from us. We expect you to schedule one Spring and one Fall sales event each year, and you are required to hold two sales events every twelve (12) months. If your franchise remains in good standing, you may have the opportunity to purchase an additional Territory at a reduced fee. You will need to go through the application process with the franchisor to determine your eligibility. The new Territory will require you to sign a new Franchise Agreement with a five-year term. Should the franchisee relocate during their ownership, they will need to place their franchise for sale or travel back and forth to continue running events.

We retain the rights, among others, on any terms and conditions we deem advisable, and without granting any rights to you: (a) to offer, sell, or distribute, directly or indirectly, or license to others to offer, sell, or distribute, any services or products from any location (including over the Internet) or to any purchaser, whether within or outside the Territory, so long as such sales are not conducted and operated from a location inside the Territory; and (b) to establish and operate, and license to others to establish and operate, a Rhea Lana's franchise under the System at any location outside your Territory. Neither we nor other franchisees are obligated to compensate you for purchases at events outside the Territory made by customers who reside within the Territory.

No sales or distribution activities may be conducted by you through catalog sales, telemarketing, or

other direct marketing whether inside or outside your Territory. You are not allowed to sell items online or in person that can be sold at your Rhea Lana's events. No electronic target marketing, such as Facebook or other campaigns, may be conducted or contracted by you which specifically includes addresses or zip codes in geographic areas which are within other Rhea Lana territories. The franchisor reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the franchisee's territory using the franchisor's principle trademarks. The franchisor reserves the right to use other channels of distributions, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within the franchisee's territory of products or services under trademarks different from the ones the franchisee will use under the franchise agreement.

Franchisee and its affiliates will not operate a franchise business under any other trademark in a purchased territory. Franchisor and it's affiliates will not operate a franchise business under a different trademark that will sell goods or services that are the same as or similar to those the franchisee will sell.

You are required to meet minimum Gross Sales by the end of your five-year contract, with an increasing minimum the more experience you have as a franchise for your following five-year contract. (a) Your minimum Gross Sales at the end of your first five-year contract should be a minimum of \$50,000 in sales, per event. If this Agreement is renewed following the initial term of 5 years, the Franchisee agrees that the following minimum required Gross Sales of your second five-year contract should be a minimum of \$50,000 in sales, per event. If your actual Gross Sales for any Rhea Lana's events are less than your minimum sales requirements in a season, you will pay royalties on the minimum sales requirements of \$50,000. (b) Your minimum Gross Sales at the end of your second five-year contract should be a minimum of \$100,000 in sales, per event. If this Agreement is renewed following the 10th year of the initial Agreement, each subsequent sale must achieve Minimum Required Gross Sales of not less than \$100,000, per event. If your actual Gross Sales for any Rhea Lana's events are less than your minimum sales requirements in a season, you will pay royalties on the minimum sales requirements of \$100,000. (c) Your minimum Gross Sales at the end of your third five-year contract should be a minimum of \$150,000 in sales, per event. If this agreement is renewed following the 15th year of the initial Agreement, each subsequent sale must achieve Minimum Required Gross Sales of not less than \$150,000, per event. If your actual Gross Sales for any Rhea Lana's events are less than your minimum sales requirements in a season, you will pay royalties on the minimum sales requirements of \$150,000.

Failure to meet minimum required gross sales will also result in a fee being imposed at the time of renewal. At time of renewal, should you fail to meet any of these minimum requirements, an additional \$500 fee will be due on your renewal.

ITEM 13 **TRADEMARKS**

One of the trademarks that we license to you for your use under the Franchise Agreement is registered with the U.S. Patent and Trademark Office ("Patent and Trademark Office") on the principal register as follows:

Trademark	Registration Number	Registration Date
Rhea Lana's	3491533	8/26/2008
RL Heart	6378808	06/08/2021

All required affidavits have been filed by us, and the Rhea Lana's trademark is due for renewal August 26, 2028. The RL Heart trademark is due for renewal June 8, 2031.

Our parent, Rhea Lana, Inc. owns this trademark and has licensed its use to us. There are no agreements currently in effect that significantly limit our rights to use or license the use of the "Rhea Lana's" mark or name in any manner material to our franchisees.

We are currently aware of no effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or court, any pending infringement, opposition, or cancellation proceedings, or any pending material litigation involving the "Rhea Lana's" mark or name that may be relevant to its use in any manner. In addition, we are aware of no litigation that affects the ownership or use of the "Rhea Lana's" mark or name. We are not aware of any directly infringing uses that could materially affect your use of the "Rhea Lana's" mark or name or our rights in the mark or name in any state.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we determine that you have used the Marks in accordance with the Franchise Agreement, we will bear the cost of such defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with the Franchise Agreement, you must bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Marks, you must execute any and all documents and take such acts as may, in the opinion of us, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing such acts.

We reserve the right to modify, add to, or discontinue use of the Marks, or to substitute different proprietary marks for use in identifying the System and the businesses operating under these marks. You are required to comply with any such changes, revisions and/or substitutions, and you must bear the costs of modifying your signs, advertising materials, interior graphics and any other items to conform to our new Marks. However, you will be required to bear these costs no more than once every five (5) years.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We have no rights in any patent or any pending patent application which we consider material to the operation of your franchise. We claim common law protection and copyright protection of the Manual, training materials, and all print, audiovisual, computer data and other materials developed and distributed for use by your franchise (collectively, the "Protected Materials"). Franchisor has not filed copyright with the United States Copyright Office, and therefor claims common law copyright protection. No claims have been filed for issues against the Franchisor with the United States Copyright Office. Subject to the terms and conditions of the Franchise Agreement, your right to use the Protected Materials is not materially limited by any other agreement or known infringing use. The franchise has no obligation to defend the franchisee against claims arising from the franchisee's use of:

(1) We do not own any patents or pending patent applications. The Franchisor's Manual, and all print, audiovisual, computer data and other advertising materials are proprietary and copyrighted by us, but none of these copyrighted materials is currently registered with the U.S. Copyright Office.

(2) There are no current material determinations of the USPTO relating to trademarks or the US Library of Congress relating to copyrights or any court regarding any patent or copyright owned by the Franchisor.

(3) The Franchisor is not a party to any agreements which limit the use of any patent or copyright owned by it. (4) The Franchisor has no obligation to the franchisee under the Franchise Agreement to protect any patent, patent application or copyright owned by the Franchisor or defend the franchisee against claims arising from the franchisee's use of any patented or copyrighted items.

(5) The Franchisor knows of no patent or material copyright infringement that could materially affect the franchisee.

(6) The Franchisor has developed proprietary confidential information comprising of our methods, techniques, procedures, information, systems and knowledge of and experience in operation of Rhea Lana's Children's Consignment Events including (1) the confidential portions of this Agreement, (2) Manual and training materials (3) methods of operating the consignment events (4) proprietary point of sale (5) training materials, and other manuals; (6) Customer lists (7) ideas, concepts, methods or techniques of improvement relating to Rhea Lana's Children's Consignment Events and developed by you in the course of fulfilling your obligations under this Agreement. We will disclose the Confidential Information to you in the initial training program, the Manual and training materials and in guidance furnished to you during the term of the Franchise.

The Confidential Information is proprietary and are Rhea Lana's trade secrets. They are disclosed to you solely for your use in the operation of your Rhea Lana's Children's Consignment Events during the term of the franchise. You are not allowed to use the Confidential Information in any other business or capacity. You must maintain the confidentiality of the Confidential Information during and after the term of the Franchise. You are not allowed to make copies of any of the Confidential Information disclosed to you.

Confidential Operating Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate your Rhea Lana's franchise in accordance with the standards, methods, policies, and procedures specified in the Manual, Training Materials and Brand Guide. Upon completion by you or your designated manager of our Initial Training Program to our satisfaction, we will loan you one copy of the Manual for the term of your Franchise Agreement.

You must treat the Manual, any other manual created for or approved for use in the operation of the Rhea Lana's franchise, and the information contained in the Manual, as confidential, and you must use all reasonable efforts to maintain such information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place. Upon termination or expiration of the Franchise Agreement for any reason, you must immediately return the Manual to us.

We may revise the contents of the Manual at any time, and you must comply with each new or changed standard. You must ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information

You must not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, limited liability company or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business under the Franchise Agreement, including, the Manual, building and floor plans, marketing plans, equipment lists, and operating methods and materials, which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of the Franchise Agreement. You may divulge such confidential information only to those of your employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You are required personally to conduct, attend, and supervise in the management of your franchise; absentee ownership is not permitted by us.

Under the terms of the Franchise Agreement, a fully-trained manager may also devote significant time and best efforts to the management and operation of the Rhea Lana's consignment sale during the term of your Franchise Agreement. The foregoing individual may, along with you, take an active role in the operation of the Rhea Lana's franchise.

Under the terms of the Franchise Agreement, the Rhea Lana's consignment sales must at all times be under the direct, on-premises supervision of an individual who has successfully completed the Initial Training Program required under the Franchise Agreement or as otherwise specified by us in writing. This on-premises supervisor is not required to hold equity interest in your franchised business. You must maintain a competent, conscientious, trained staff, including a manager who has successfully completed the Initial Training Program and such additional training as we may specify in writing.

You must obtain and furnish to us signed confidentiality and noncompetition agreements (attached as Exhibit F to the Disclosure Document) from all principals of the franchisee, and your manager and other personnel having access to our confidential information by virtue of their relationship with you. All principals of the franchisee will also be required to guarantee personally all of the obligations of the franchisee under the Franchise Agreement.

You should devote your personal best efforts to operating the Franchise to attempt to achieve the highest sales and profits possible in a manner consistent with Rhea Lana's operating standards and image in the community in which the Franchise is located. You should diligently develop and personally promote the reputation and goodwill of the Franchise, the Marks and Rhea Lana's, and shall keep free from any involvement, investment or ownership in or with any enterprise or other activity that would be detrimental to, interfere with or create an actual or potential conflict of interest with the Franchisor's exertion of best efforts to operating the Franchise. If these sales minimums that we feel measure best efforts aren't hit, minimum royalties will be imposed. Details on compliance of sales minimums can be found in Item 12 of this agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are restricted to only selling children's and maternity apparel, furniture, toys and equipment provided to you by individual consignors. Vendors at your events are obligated to sell products and/or services which are of interest to mothers and young families. We will make available for sale to you Rhea Lana's-related apparel and other products. You are not obligated to sell Rhea Lana's products. Rhea Lana's will continue to sell only those types of items which appeal to young and growing families.

Rhea Lana's takes consumer safety and recalled items seriously. You are prohibited from selling any items which are subject to a safety recall by the Consumer Products Safety Commission. We will provide you recall notebooks in digital form that must be reviewed prior to selling items at your event. Rhea Lana's may also identify other items, not subject to a formal recall by the consumer products safety commission as posing a safety risk to the public. You may not sell any item Rhea Lana's has designated as prohibited. In addition, some states have laws regarding the sale of bedding, car seats and/or other items. You are prohibited from selling any item prohibited by the laws of the state where your Territory is located, and you must strictly comply with all laws and regulations applicable to your Territory.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN THE FRANCHISE AGREEMENT	SUMMARY
a. Length of the Franchise Term	Section 3.1	5 Years from the date of the Franchise Agreement.
b. Renewal or Extension of the Term	Section 3.2	If you satisfy all of the requirements of the Franchise Agreement, you can renew for additional 5 year terms.
c. Requirements for Franchisee to Renew or Extend	Section 3.2	Give timely notice; renovate physical premises; not be in default (or have been in default); have satisfied all monetary obligations; have right to possess premises; execute then-current Franchise Agreement; execute a general release; comply with training requirements; pay a renewal fee. Renewal periods are for five years. The franchisee must execute the franchisor's then current Franchise Agreement, which may be substantially different from the terms and conditions set forth in the previous Franchise Agreement.
d. Termination by Franchisee	10.2	The Franchise Agreement cannot be terminated by franchisee during its Term for any reason except our material breach, but then only after notice and opportunity to cure are given as set forth in Section 12 of the Franchise Agreement.
e. Termination by Franchisor Without Cause	N/A	Not applicable.

f. Termination by Franchisor With Cause	Section 10	We have the right to terminate with cause.
g. "Cause" Defined–Curable Defaults	Section 10	You have 30 days to cure: noncompliance with the Franchise Agreement (except those defaults listed in subsection (h) immediately below); non-payment of monies; non-submission of reports; failure to maintain prescribed specifications, standards, or procedures; failure to obtain our prior written approval or consent; actions inconsistent with or contrary to your lease; failure to maintain product and service quality; using confusingly similar names or marks; failure to comply with all applicable laws, rules, and regulations; and others.
THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN THE FRANCHISE AGREEMENT	SUMMARY
h. "Cause" Defined–Non-Curable Defaults	Sections 8.2 and 13.10	Non-curable defaults include: insolvency, bankruptcy, dissolution, foreclosure, or other similar filings or proceedings; you fail to host your first Rhea Lana's Event within 300 days or obtain a written extension from us; or (b) after the first year, you fail to hold a minimum of 2 Rhea Lana's Events in each year or obtain a waiver and pay the minimum royalty; you fail to provide required certificates of insurance before taking possession of any venue; you maintain false or materially inaccurate or incomplete books and records; you or your owners make any false, dishonest, deceptive or materially inaccurate or misleading statement to Rhea Lana's, its suppliers, customers or the general public; you misuse the Marks, the Operations Manual or the System; you fail on 2 or more separate occasions within any twelve (12) consecutive month period to submit when due financial statements, reports or other data, information or supporting records, to pay when due the Royalty Fees, technology fees, amounts due to Rhea Lana's affiliates, suppliers or distributors, consignors to your Rhea Lana's Event, or other payments due to Rhea Lana's or otherwise fail to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is given to you; final or unsatisfied judgments; failure to locate a site or to open for business; failure to complete training; abandonment; loss of premises; conviction of a crime; health or safety violations; unapproved transfers; approved transfer not timely effected; failure to comply with covenants; unauthorized disclosure of confidential information; maintain false books or submit false reports; trademark misuse; refusal to permit inspections; failure to timely cure a default; repeated defaults even if cured; and others.

i. Franchisee's Obligations on Termination/Non-Renewal	Section 11	Obligations include: cease operations of the Rhea Lana's consignment sales; de-identification; assignment of right to possess premises; payment of amounts due to us and our affiliates; return the Manual and all other confidential information, including social media website passwords; sell to us products, furnishings, equipment, signs, fixtures, stationery, forms, packaging, and advertising materials at our option; compliance with post-termination noncompetition agreement; and others.
j. Assignment of Contract by Franchisor	Section 9.1	There is no restriction on our right to transfer or assign the Franchise Agreement.
k. "Transfer" by Franchisee – Defined	Section 1.1(x)	Includes transfer of Franchise Agreement, any direct or indirect interest in the franchisee, or all or substantially all of the assets of the franchise.
l. Franchisor Approval of Transfer by Franchisee	Section 9.2	All transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor Approval of Transfer	Section 9.2	Conditions of approval include: timely written notification to us of the proposed transfer; our prior written consent; satisfaction of your monetary and other obligations; you are not in default of any provision of any agreement with us or our affiliates; transferor signs a general release; transferee enters into a written assignment and guaranty, if applicable; transferee meets our qualifications; transferee signs our then-current form of Franchise Agreement; you remain liable for all of the obligations to us that arose before the transfer and which extend beyond the term of the Franchise Agreement, and you execute all instruments which we reasonably request to evidence such liability; transferee completes all required training programs; you pay a transfer fee of 35% of the then current Initial Franchise Fee; we have been offered right to assume controlling interest of transferor; and others.
n. Franchisor's right of first refusal to acquire franchisee's business	N/A	Not applicable.
o. Franchisor's option to purchase franchisee's business	N/A	Not applicable.
p. Death or Disability of Franchisee	Section 9.3	An approved transfer must occur within 6 months following the death or mental incapacity of any person holding any interest in the franchise, or in all or substantially all of the assets of the franchise.
q. Noncompetition Covenants During the Term of the Franchise	Section 7.2	During the term of the Franchise Agreement, you may not own, maintain, operate, engage in, be employed by, provide any assistance or advice to, or have any interest in any business that is substantially similar to the Rhea Lana's consignment sales or offers or sells substantially similar services as Rhea Lana's.

r. Noncompetition Covenants After the Franchise Is Terminated or Expires	Section 7.2	For 2 years after termination or expiration of the Franchise Agreement, you may not own, maintain, operate, engage in, be employed by, provide any assistance or advice to, or have any interest in any business which is substantially similar to Rhea Lana's or offers or sells substantially similar services as Rhea Lana's.
s. Modification of the Agreement	Sections 13.4 and 13.9	All amendments, changes, or variances from the Franchise Agreement must be in writing.
t. Integration / Merger Clause	Section 13.9	Only the terms of the Franchise Agreement are binding (subject to state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute Resolution by Arbitration or Mediation	N/A	Not applicable.
v. Choice of Forum	Section 12.1	Any action brought by you against us must be brought in the judicial district in Pulaski County, Arkansas (subject to state law.)
w. Choice of Law	Section 12.1	All disputes will be governed by the laws of the State of Arkansas (subject to state law.)

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote our franchises.

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.

Other than the information in this Disclosure Document we do not authorize our employees or representatives to make any representations of financial performance 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 Rhea Lana Riner at (501) 499-0009, the Federal Trade Commission, and the appropriate state regulatory agencies.

Below are the available average gross revenues from the sale of consignment items for Rhea Lana's franchise events for fifty-one event seasons from Fall of 1997 through Fall of 2023. Gross revenue includes sales of consigned items, excluding sales tax, discounts, allowances or returns. Gross revenue also excludes sponsorship opportunities, which incur no royalty payment to Rhea Lana's. Some of the early events were held with our predecessor, Rhea Lana, Inc., as franchisor. Excluded are events associated twenty-four terminated or non-renewed franchises.

**Franchises with Greater Than \$100,000 in Consignor Sales for
One or More Events in 2023 – 47 of 103 Franchises (or 46%)**

<u>Event Season of the Franchise</u>	<u>Date Range</u>	<u># of Rhea Lana's Locations</u>	<u>Average Gross Consignor Sales</u>	<u>Median Consignor Sales</u>
First Event	1997-2020	47	\$ 22,498.66	\$15,938.75
Second Event	1998-2020	47	\$ 34,614.57	\$26,847.50
Third Event	1998-2020	47	\$ 47,305.96	\$33,387.63
Fourth Event	1999-2021	47	\$ 56,866.37	\$42,882.13
Fifth Event	1999-2022	47	\$ 72,313.71	\$56,037.50
Sixth Event	2000-2022	47	\$ 87,130.79	\$74,363.00
Seventh Event	2000-2023	47	\$100,111.31	\$84,451.00
Eighth Event	2001-2023	47	\$105,998.82	\$98,587.88
Ninth Event	2001-2023	46	\$117,273.11	\$105,537.25
Tenth Event	2002-2023	46	\$132,443.38	\$121,743.00
Average Beyond Ten			\$244,622.23	
Lowest Beyond Ten			\$ 16,814.00	
Highest Beyond Ten			\$1,189,430.88	

Forty-six percent of active Rhea Lana Franchises have achieved over \$100,000 in gross consignor sales in 2023. Some events in this category achieved this success after only a few events, while others made it to \$100,000 after ten events and after a transfer to a new owner. Forty-four (46) franchises held more than ten events in the time span noted. Together, these remaining events averaged \$244,622.23 in gross consignor sales, with \$16,814.00 being the lowest and \$1,189,430.88 being the highest. Three hundred and fifty-five (355) events, including our corporate events, have exceeded \$200,000 in consignor sales. One hundred eighty-two (182) events, including our corporate events, have exceeded \$300,000 in consignor sales. One hundred and four (104) events, including our corporate events, have exceeded \$400,000 in consignor sales. Fifty-seven (57) events have achieved over one half million dollars.

**Franchises with Between \$50,000 and \$100,000 in Consignor Sales in
2022 19 of 103 Franchises (or 18%)**

<u>Event Season of the Franchise</u>	<u>Date Range</u>	<u># of Rhea Lana's Locations</u>	<u>Average Gross Consignor Sales</u>	<u>Median Consignor Sales</u>
First Event	2009-2020	19	\$ 15,582.80	\$ 11,569.25
Second Event	2009-2020	19	\$ 20,615.07	\$ 18,114.34
Third Event	2010-2021	19	\$ 28,839.00	\$ 21,332.25
Fourth Event	2010-2021	19	\$ 34,291.87	\$ 26,412.50
Fifth Event	2011-2022	19	\$ 35,922.31	\$ 37,811.75
Sixth Event	2011-2022	19	\$ 41,177.86	\$ 38,008.50
Seventh Event	2012-2023	18	\$ 45,522.61	\$ 39,423.00
Eighth Event	2012-2023	19	\$ 46,456.17	\$ 47,884.13
Ninth Event	2013-2023	17	\$ 49,506.55	\$ 53,348.64
Tenth Event	2013-2023	16	\$ 48,273.40	\$ 48,119.25
Average Beyond Ten		120	\$ 61,013.58	
Lowest Beyond Ten			\$ 18,604.75	
Highest Beyond Ten			\$ 188,599.63	

Eighteen percent of active Rhea Lana Franchises have achieved between \$50,000 and \$100,000 in gross consignor sales in 2023. Together, these remaining events beyond ten seasons averaged \$61,013.58 in gross consignor sales, with \$ 18,604.75 being the lowest and \$188,599.63 being the highest.

**Franchises with Below \$50,000 in Consignor Sales in 2023 which have
Operated Three Years or Less – 16 of 103 Franchises (or 16%)**

<u>Event Season of the Franchise</u>	<u>Date Range</u>	<u># of Rhea Lana's Locations</u>	<u>Average Gross Consignor Sales</u>	<u>Median Consignor Sales</u>
First Event	2014-2023	16	\$ 11,702.87	\$ 8,330.00
Second Event	2015-2023	11	\$ 15,144.80	\$ 12,159.25
Third Event	2015-2023	10	\$ 15,945.55	\$ 12,193.50
Fourth Event	2020-2023	8	\$ 22,398.92	\$ 21,822.67
Fifth Event	2023	4	\$ 28,220.13	\$ 28,983.58

(Note: COVID 19 regulations interrupted some event seasons which caused some new events to operate over a period of longer than three calendar years.) Sixteen percent of active Rhea Lana Franchises, which have been operating for three years or less, have achieved less than \$50,000 in gross consignor sales in 2023. These events are in the startup phase. One is a restart from 2015.

**Franchises with Below \$50,000 in Consignor Sales in 2023 which have
Operated More Than Three Years – 21 of 103 Franchises (or 20%)**

<u>Event Season of the Franchise</u>	<u>Date Range</u>	<u># of Rhea Lana's Locations</u>	<u>Average Gross Consignor Sales</u>	<u>Median Consignor Sales</u>
First Event	2012-2020	21	\$ 12,707.25	\$ 11,638.00
Second Event	2011-2021	21	\$ 16,495.04	\$ 14,600.00
Third Event	2011-2021	21	\$ 18,240.28	\$ 17,278.00
Fourth Event	2011-2021	21	\$ 21,769.40	\$ 22,270.63
Fifth Event	2012-2022	21	\$ 26,158.38	\$ 25,986.75
Sixth Event	2012-2023	21	\$ 29,026.13	\$ 28,153.30
Seventh Event	2013-2023	21	\$ 28,774.26	\$ 27,726.52
Eighth Event	2013-2023	18	\$ 33,971.02	\$ 33,247.96
Ninth Event	2014-2023	15	\$ 36,317.11	\$ 39,990.00
Tenth Event	2015-2022	10	\$ 34,312.97	\$ 31,560.39
Average Beyond Ten		69	\$ 29,523.70	
Lowest Beyond Ten			\$ 14,132.75	
Highest Beyond Ten			\$ 54,837.00	

Twenty percent of veteran Rhea Lana franchises have achieved below \$50,000 in gross consignor sales in 2023. Together, these remaining events beyond ten years averaged \$29,523.70 in gross consignor sales, with \$14,132.75 being the lowest and \$103,587.00 being the highest.

Since 2004 thirty-six franchises and two corporate stores have ceased operations. Excluding the two profitable corporate stores, they held a total of two hundred seventy-nine (278) franchise events with average consignor sales of \$26,692.66.

Confidentiality prevents us from reporting specific sales from a single franchise.

All values listed above have been compiled by Rhea Lana's Franchise Systems, Inc. through its centralized online database. **Some outlets have earned these amounts above. Your individual results may differ. There is no assurance that you'll earn this much.**

Number of Events which have achieved High Sales Numbers

An increasing numbers of events have achieved high levels of consignor sales. Below are the number of events each which have achieved consignor sales over \$100,000, \$200,000, \$300,000 and \$400,000 in each respective event season.

<u>Event Season</u>	<u>Event Sales over \$100K</u>	<u>Event Sales over \$200K</u>	<u>Event Sales over \$300K</u>	<u>Event Sales over \$400K</u>
Spring 2010	4	2	0	0
Fall 2010	6	3	0	0
Spring 2011	6	3	0	0
Fall 2011	7	4	1	0
Spring 2012	9	4	1	0
Fall 2012	13	4	1	0
Spring 2013	13	4	2	1
Fall 2013	14	5	3	0
Spring 2014	15	5	2	1
Fall 2014	21	6	4	1
Spring 2015	17	5	2	1
Fall 2015	23	6	4	2
Spring 2016	25	8	3	2
Fall 2016	27	9	3	2
Spring 2017	27	6	5	2
Fall 2017	29	12	4	3
Spring 2018	29	13	4	2
Fall 2018	30	15	4	3
Spring 2019	32	20	5	2
Fall 2019	31	19	8	4
Spring 2020	29	14	10	4
Fall 2020	37	19	10	3
Spring 2021	37	23	11	7
Fall 2021	40	22	11	8
Spring 2022	41	25	13	10
Fall 2022	45	28	21	12
Spring 2023	44	28	18	12
Fall 2023	46	29	23	15

Net revenues for a Rhea Lana’s franchise include a 35-40% share of the above gross sales from consigned items, plus additional revenues from participation fees of \$7-20 per consignor, vendor booth fees, advertising by sponsors, and VIP processing percentages of 35-45% of sales. Royalties are paid only on gross sales from consigned items.

Seasonal expenses for a Rhea Lana’s franchise include remitting 60-65% of the above gross sales to each consignor. Also included are applicable fees described in Item 6, plus recurring investments described in Item 7. Franchisees reported to Rhea Lana’s their average expenses for ninety-five (95) of the ninety- eight (98) franchise events which occurred in the Fall season of 2023 in the following categories: Rent, Utilities, Advertising/Marketing, Supplies, Insurance, Labor/Security, Shrink Payout, Miscellaneous Expenses, Credit Card Fees, Equipment and Royalty Payout. The average of these reported total expenses for a Rhea Lana’s franchise event was \$41,523.42. These reported expenses ranged from \$3,161.05 to \$265,589.72. Rhea Lana’s does not independently verify these reported expenses from our franchisees. There may be other costs and expenses not identified. Franchisees or former franchisees listed in the Disclosure Document may be one source of financial performance information. These franchisees and former franchisees are not required to disclose or discuss their businesses with you.

Profits, if any, earned by a Rhea Lana’s franchisee are realized after all related expenses are paid. A financial loss is frequently incurred on early events, and these losses could continue throughout the life of a franchise based upon many factors. These risk factors are not under the control of Rhea Lana’s Franchise Systems, Inc. Therefore, Rhea Lana’s does not promise a favorable financial outcome from owning a Rhea Lana’s franchise. These numbers listed above for both revenue and expense are reported as information only, and none of these numbers are projections of your future financial results as a Rhea Lana’s franchise owner.

Any conversations which you may have with our independent Rhea Lana’s franchise owners are not official dealings with Rhea Lana’s Franchise Systems, Inc. Therefore, we will not attempt to verify any of their claims of financial success or failure.

ITEM 20

OUTLETS AND FRANCHISE INFORMATION

<u>TABLE NO. 1</u>				
SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023				
OUTLET TYPE	YEARS	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
a. Franchised	2021	98	102	4
	2022	102	101	-1
	2023	101	112	11
b. Company Owned	2021	2	2	0
	2022	2	2	0
	2023	2	2	0
c. Total Outlets	2021	100	104	4
	2022	104	103	-1
	2023	103	114	11

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2021 TO 2023

STATE	YEAR	NUMBER OF TRANSFERS
AR	2021	1
	2022	0
	2023	0
GA	2021	2
	2022	0
	2023	2
KS	2021	0
	2022	2
	2023	0
OK	2021	1
	2022	1
	2023	1
CO	2021	0
	2022	1
	2023	0
OH	2021	0
	2022	1
	2023	0
TX	2021	1
	2022	0
	2023	1
MO	2021	1
	2022	0
	2023	0
HI	2021	1
	2022	0
	2023	0
IL	2021	1
	2022	0
	2023	0
Total	2021	8
	2022	5
	2023	4

<u>TABLE NO. 3</u> STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023								
State	Years	Outlets At Start Of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired By Franchisor	Ceased Operation- Other Reasons	Outlets At End Of The Year
AR	2021	12	0	n/a	n/a	n/a	n/a	12
	2022	12	0					12
	2023	12	0					12
AZ	2021	3	0	n/a	0	n/a	n/a	3
	2022	3	0		2			1
	2023	1	0		0			1
CA	2021	3	0	n/a	n/a	n/a	n/a	3
	2022	3	0					3
	2023	3	1					4
CO	2021	1	1	n/a	n.a	n/a	n/a	2
	2022	2	0					2
	2023	2	0					2
FL	2021	5	1	n/a	0	n/a	n/a	6
	2022	6	0		3			3
	2023	3	2		0			5
GA	2021	9	0	n/a	1	n/a	n/a	8
	2022	8	1		1			8
	2023	8	0		0			8
HI	2021	1	0	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	0					1
IL	2021	7	0	n/a	n/a	n/a	n/a	7
	2022	7	0					7
	2023	7	0					0
IA	2021	3	0	n/a	0	n/a	n/a	3
	2022	3	0		1			2
	2023	2	0		0			2
KS	2021	6	0	n/a	n/a	n/a	n/a	6
	2022	6	1					7
	2023	7	0					7
KY	2021	1	0	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	0					1
LA	2021	7	0	n/a	n/a	n/a	n/a	7
	2022	7	1					8
	2023	8	2					10
MI	2021	1	0	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	0					1
MO	2021	6	0	n/a	n/a	n/a	n/a	6
	2022	6	0					6
	2023	6	0					6
MS	2021	2	1	n/a	n/a	n/a	n/a	3
	2022	3	0					3

	2023	3	0					3
NM	2021	1	0	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	0					1
OH	2021	4	0	n/a	n/a	n/a	n/a	4
	2022	4	0					4
	2023	4	0					4
OK	2021	9	0	n/a	n/a	n/a	n/a	9
	2022	9	0					9
	2023	9	0					9
TN	2021	5	0	n/a	1	n/a	n/a	4
	2022	4	0		0			4
	2023	4	0		0			4
TX	2021	10	1	n/a	0	n/a	n/a	11
	2022	11	5		2			14
	2023	14	3		0			17
VA	2021	1	0	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	2					3
WA	2021	3	0	n/a	n/a	n/a	n/a	3
	2022	3	0					3
	2023	3	0					3
WI	2021	0	1	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	0					1
OR	2021	0	1	n/a	n/a	n/a	n/a	1
	2022	1	0					1
	2023	1	0					1
IN	2021	0	0	n/a	n/a	n/a	n/a	0
	2022	0	0					0
	2023	0	1					1
Total	2021	98	6	n/a	2	n/a	n/a	102
	2022	102	8		9			101
	2023	101	11		0			112

TABLE NO. 4 STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023							
State	Years	Outlets At Start Of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At The End Of The Year
AR	2021	2	0	n/a	0	0	2
	2022	2	0		0	0	2
	2023	2	0		0	0	2
Total	2021	2	0	n/a	0	0	2
	2022	2	0		0	0	2
	2023	2	0		0	0	2

TABLE NO. 5 PROJECTED OPENINGS AS OF December 31, 2024			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet Opened In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
AR	0	0	0
AZ	0	0	0
CA	0	2	0
IL	0	1	0
FL	0	3	0
GA	0	1	0
HI	0	0	0
KS	0	0	0
LA	0	0	0
MO	0	2	0
MS	0	0	0
NM	0	0	0
OK	0	1	0
TX	0	3	0
VA	0	0	0
WY	0	0	0
WI	0	0	0
OR	0	1	0
CO	0	0	0
ND	0	0	0
NY	0	0	0
WA	0	0	0
TN	0	0	0
KY	0	0	0
Total	0	0	0

Since Rhea Lana's sales events are held in varying locations within a Territory, a Rhea Lana's franchisee essentially operates its franchise from home. Below is a list of all current and former Rhea Lana's franchisees. In order to protect franchisee privacy, the list includes each franchisee's name and a current

email address. If you buy a franchise, your contact information may be disclosed to other buyers when your relationship with Rhea Lana's concludes.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Rhea Lana's. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you, nor should you rely on any information communicated by them or any person other than us.

There are no trademark franchisee organizations associated with Rhea Lana's Franchise Systems.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit H is a copy of our audited financial statements through December 31, 2023. The audit is a combined audit of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. On December 2, 2011 Rhea Lana, Inc. was divided into two companies. Rhea Lana, Inc. is the parent company. Rhea Lana's Franchise Systems, Inc. is 100% owned and controlled by Rhea Lana, Inc., and is the franchising arm of Rhea Lana, Inc. The Franchisor's parent company, Rhea Lana, Inc. is providing the Guaranty for the Franchisor's financial obligations.

ITEM 22

CONTRACTS

The Franchise Agreement is attached as Exhibit D. The Rhea Lana's Franchise Application is attached as Exhibit C. The Nondisclosure, Noncompetition and Non-Solicitation Agreement is attached as Exhibit E.

ITEM 23

RECEIPT

A receipt in duplicate is attached to this Disclosure Document as Exhibit J. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to us at 2765 Blaney Hill Road, Conway, Arkansas 72032

EXHIBIT A

LIST OF STATE AUTHORITIES

California:	State of California Department of Financial Protection and Innovation 320 W. 4 th Street, Suite 750 Los Angeles, CA 90013-2314
Florida:	Department of Agriculture Division of Consumer Protection State of Florida P.O. Box 6700 Tallahassee, FL 32214-6700
Georgia:	Secretary of State 2 Martin Luther King, Jr. Drive, S.E. Suite 315, West Tower Atlanta, GA 30334
Hawaii:	Commissioner of Securities Hawaii Business Registration Division 335 Merchant Street Honolulu, HI 96813
Illinois:	Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62706
Indiana:	Commissioner, Franchise/Securities Division Indiana Secretary of State 302 West Washington Street Indianapolis, IN 46204
Kentucky:	Office of the Attorney General State of Kentucky 700 Capitol Avenue, Suite 118 Frankfort, Kentucky 40601
Michigan:	Consumer Protection Division Franchise Section PO Box 30213 Lansing MI 48909
Minnesota:	Securities Commissioner Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 68509

Oregon: Department of Consumer and Business Services
Division of Finance & Corporate Securities
State of Oregon
Labor and Industries Building
350 Winter Street NE
Salem, OR 97310

Texas: Secretary of State
State of Texas
P.O. Box 12887
Austin, TX 78711

Virginia: Clerk, State Corporation Commission
Commonwealth of Virginia
1300 East Main Street, First Floor
Richmond, VA 23219

Washington: Department of Financial Institutions
State of Washington
150 Israel Road SW
Tumwater, WA 98501

Wisconsin: Department of Financial Institutions
Division of Securities
345 West Washington Ave., 4th Floor
Madison, WI 53703

EXHIBIT B

LIST OF AGENTS FOR SERVICE OF PROCESS

Arkansas

Rhea Lana Riner
2765 Blaney Hill Road
Conway, Arkansas 72032

California

State of California Department of
Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Florida

Secretary of State
State of Florida
P.O. Box 6700
Tallahassee, FL 32214-6700

Hawaii

Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
P. O. Box 40
Honolulu, Hawaii 96810

Illinois

Office of the Attorney General
State of Illinois
500 South Second Street
Springfield, IL 62706

Indiana

Indiana Secretary of State
State of Indiana
302 West Washington Street
Indianapolis, IN 46204

Minnesota

Securities Commissioner
State of Minnesota
85 7th Place East, Suite 500
St. Paul, MN 55101

Oregon

Secretary of State
State of Oregon
350 Winter Street NE
Salem, OR 97301

Texas

Secretary of State
State of Texas
P.O. Box 12887
Austin, TX 78711

Washington

Department of Financial Institutions
150 Israel Road SW
Tumwater, WA 98501

There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed. For states which are not listed above our agent for service of process is Rhea Lana Riner, 2765 Blaney Hill Road, Conway, Arkansas 72032.

EXHIBIT C

FRANCHISE APPLICATION

RHEA LANA'S FRANCHISE APPLICATION FORM

Full Name: _____

Social Security No.: _____ Date of Birth: _____ U.S. Citizen: Yes No

Street: _____ City: _____ State: ____ Zip: _____

Contact Phone: _____ E-mail: _____

Residence: _____ Own _____ Rent How long have you lived at this address? _____

No. of Children: _____ Age of Children: _____

PRIOR EMPLOYMENT:

List your last two employers (including self-employment) starting with the last one first:

EMPLOYER	POSITION	DATES

This application is not an offer to sell a Rhea Lana's franchise, nor are the communications directed by or for Rhea Lana (or its agents) to the residents of any state that requires registration of a franchise before offering and selling a franchise in that state. No Rhea Lana's franchise will be sold to any resident of any state until that state has registered the offering (or Rhea Lana has obtained an applicable exemption from registration) and we have delivered the required Uniform Franchise Offering Circular to the prospective franchisee consistent with applicable law.

REFERENCES:

List **THREE** personal or business references.

NAME	PHONE	RELATIONSHIP

This application is not an offer to sell or purchase a Rhea Lana's franchise, nor are the communications directed by or for Rhea Lana (or its agents) to the residents of any state that requires registration of a franchise before offering and selling a franchise in that state. No Rhea Lana's franchise will be sold to any resident of any state until that state has registered the offering (or Rhea Lana has obtained an applicable exemption from registration) and we have delivered the required Uniform Franchise Offering Circular to the prospective franchisee consistent with applicable law.

How did you hear about Rhea Lana's Franchise Systems, Inc.?

Describe your relevant business experience.

Have you ever been involved in another franchise opportunity? If so, please describe involvement.

Are you considering other business opportunities?

This application is not an offer to sell or purchase a Rhea Lana's franchise, nor are the communications directed by or for Rhea Lana (or its agents) to the residents of any state that requires registration of a franchise before offering and selling a franchise in that state. No Rhea Lana's franchise will be sold to any resident of any state until that state has registered the offering (or Rhea Lana has obtained an applicable exemption from registration) and we have delivered the required Uniform Franchise Offering Circular to the prospective franchisee consistent with applicable law.

Do you plan to have any partners? If so, each partner must provide a full application and separate letters of recommendation.

Do you plan to operate the business part time or full time? Please elaborate.

What do you want to accomplish with/through a Rhea Lana's franchise?

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If approved, when would you like to conduct your first Consignment Sale Event?

Is there anything else you would like us to know about you?

Have you ever been convicted of a crime other than a traffic offense? _____ If so please explain:

How much time do you expect to devote to the business on a weekly basis?

Does your family support your decision to become a franchisee? _____ If so, please explain how you may expect assistance.

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What is your primary motivation for becoming a Rhea Lana's franchisee? (For example, money, freedom, new friendships, etc.?)

What intangible benefits do you hope to achieve by becoming a Rhea Lana's franchisee?

Our franchise fee runs from \$16,500 - \$19,500 depending on the size of the territory that you purchase. There are additional costs of starting your business such as supplies, possible permits, advertising, etc. Do you feel you can afford an investment of this nature?

Do you plan to continue working in another full-time position while owning a Rhea Lana's franchise?

This application is not an offer to sell or purchase a Rhea Lana's franchise, nor are the communications directed by or for Rhea Lana (or its agents) to the residents of any state that requires registration of a franchise before offering and selling a franchise in that state. No Rhea Lana's franchise will be sold to any resident of any state until that state has registered the offering (or Rhea Lana has obtained an applicable exemption from registration) and we have delivered the required Uniform Franchise Offering Circular to the prospective franchisee consistent with applicable law.

Please rate your skills in the following areas:

Skill	Above Average	Average	Below Average
Ability to motivate others in a positive way			
Administration			
Building Rapport/Relationships			
Computers/Technology			
Creativity			
Financial			
Sales			
Management			
Marketing			
Networking with People			
Operations			
Organization			
Time Management			

You will need an indoor location to conduct a Consignment Sale Event. Have you thought of a potential venue?

This application is not an offer to sell or purchase a Rhea Lana's franchise, nor are the communications directed by or for Rhea Lana (or its agents) to the residents of any state that requires registration of a franchise before offering and selling a franchise in that state. No Rhea Lana's franchise will be sold to any resident of any state until that state has registered the offering (or Rhea Lana has obtained an applicable exemption from registration) and we have delivered the required Uniform Franchise Offering Circular to the prospective franchisee consistent with applicable law.

The person(s) signing this application below certify that the above information is true and correct to the best of their knowledge. The undersigned authorize Rhea Lana's Franchise Systems, Inc. to make inquiries it considers necessary and appropriate concerning the above information.

DATE: _____ SIGNATURE: _____

RECEIVED BY: Franchise Representative: _____

Territory Requested:

City: _____ State: _____

Zip Code(s) in Order of Preference: _____

Zip codes may be added or removed to accommodate your requested Territory size. Territories are normally contiguous. Territories are not reserved until a signed deposit or franchise agreement and payment is received. There is a \$50 application fee, per partner applying, after receiving the Disclosure Document. This \$50 fee covers the processing of your application. It does not guarantee you a franchise.

This application is not an offer to sell or purchase a Rhea Lana's franchise, nor are the communications directed by or for Rhea Lana (or its agents) to the residents of any state that requires registration of a franchise before offering and selling a franchise in that state. No Rhea Lana's franchise will be sold to any resident of any state until that state has registered the offering (or Rhea Lana has obtained an applicable exemption from registration) and we have delivered the required Uniform Franchise Offering Circular to the prospective franchisee consistent with applicable law.

EXHIBIT D

FRANCHISE AGREEMENT

RHEA LANA'S FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is effective as of _____ (the "Effective Date") by and between RHEA LANA'S FRANCHISE SYSTEMS, INC., an Arkansas corporation ("Franchisor"), and _____ ("Franchisee").

WHEREAS, Franchisor has developed, and plans to continue to develop, a distinctive program for establishing, advertising and operating periodic, non-continuous consignment sales of children's clothing and related items, including the development of certain proprietary business information (the "System");

WHEREAS, Franchisor is the owner of valuable trademarks, service marks, trade names, and other proprietary indicia used in connection with its business and that of its franchisees, the primary ones of which are set forth in Schedule A attached hereto (collectively, the "Marks");

WHEREAS, Franchisor has established a favorable and extensive reputation with the public as to the high quality of its services and, as a result thereof, has developed substantial goodwill in connection with the Marks; and

WHEREAS, Franchisee, after conducting its own investigation and obtaining business, legal and financial advice from professional advisors of its own selection, recognizes the benefits of using the System and the Marks, and is desirous of obtaining a franchise to use the System and the Marks in a business to operate within a defined geographic area as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties mutually agree as follows:

SECTION 1

DEFINITIONS

1.1 Defined Terms. In addition to the definitions contained elsewhere in this Agreement, the following words and phrases have specific meanings as defined in this Section 1. Other terms used in this Agreement are defined and construed based on their ordinary meaning and in the context in which they occur.

- (a) "Agreement" - This Franchise Agreement.

(b) “Confidential Information” - The confidential and proprietary information of Franchisor including, but not limited to, the ideas, know-how, techniques, trade secrets, information, (whether or not included in the Manual(s)), plans and specifications, relating to the System, marketing information, software, passwords, strategies, financial information, information concerning vendors, suppliers and other franchisees of Franchisor, and other data disclosed to you under this Agreement and/or in relation to the Consignment Sale Business.

(c) “Consignment Sale Business” - An enterprise we herein have authorized you to conduct under the Marks and the System in the Territory in accordance with the terms and conditions of this Agreement and the Manual(s).

(d) “Consignment Sales Event” – Each sale of children’s clothing and related items in accordance with the Manual and System as contemplated by this Agreement.

(e) “Designated Supplies” – Supplies designated by Franchisor (and required to be obtained by Franchisee) as necessary for the operation of the Consignment Sale Business.

(f) “Franchise” - The interdependent network composed of us, all Rhea Lana’s franchises, all Rhea Lana’s franchisees, and any other persons or business entities we have authorized to use the Marks, the System, or both.

(g) “Franchise Payments” – All sums due by Franchisee to Franchisor pursuant to the terms and conditions of this Agreement, including the Initial Franchise Fee, any and all Renewal Franchise Fees, and any and all Sale Royalty Fees or Missed Sale Fees.

(h) “Franchisee” - The entity or individual executing this Agreement, as well as each and every shareholder, officer and director (in the case of a corporation), each manager or member (in the case of a limited liability company), or each partner (in the case of a partnership). Each of the aforementioned individuals shall be known as “Principals”. Every Principal agrees to be jointly, severally, and primarily liable for the performance of the duties and covenants of Franchisee described in this Agreement. The individuals who have executed this Agreement agree that they shall be primarily, jointly, and severally liable for each and every obligation and covenant herein, and that no individuals or entities other than those executing this Agreement have any interest in the Franchisee or the Franchise Agreement.

(i) “Good Standing” - You are not (and have not been) in default or threat of default under this Agreement, your financial obligations and/or any other agreement or legal obligations to us, and are operating your Consignment Sale Business in full compliance with this Agreement, the Manual(s), and the System.

“Gross Sales” – The gross revenue generated by sales of consignment items as reflected on the computerized records of each Consignment Sales Event utilizing the System developed by Franchisor and maintained on Franchisor’s website; it being agreed that all used children’s clothing, bedding, toys, furniture and related items sold on consignment at a Consignment Sales Event shall be priced, marked, inventoried, accounted for and sold utilizing the System and the computer programs developed by Franchisor and Franchisee shall not “pick and choose” which items are to be included in and accounted for by the System or the computer program maintained by Franchisor. Gross Sales does not include rents or other income earned by Franchisor in the sale of new products by independent vendors, unrelated by Franchisee, who contract with Franchisee to market their products at a Consignment Sales Event so long as such independent vendor maintains its own sales staff, accounting software, etc. at each Consignment Sales Event. You are required to meet minimum Gross Sales by the end of your five-year contract, with an increasing minimum the more experience you have as a franchisee for your following five-year contract. Your minimum Gross

Sales at the end of your first five-year contract should be a minimum of \$30,000 in sales, per event. If this Agreement is renewed following the initial term of 5 years, the Franchisee agrees that the following minimum required Gross Sales of your second five-year contract should be a minimum of \$60,000 in sales, per event. If this Agreement is renewed following the 10th year of the Agreement, each subsequent sale must achieve Minimum Required Gross Sales of not less than \$60,000. Failure to meet minimum required gross sales will result in a fee being imposed. If your actual Gross Sales for any Rhea Lana's events are less than your minimum sales requirement, you will pay royalties in the amount of 3% of the minimum sales requirement. At time of renewal, should you fail to meet these minimum requirements, an additional \$500 fee will be due on your renewal.

(j) "Initial Franchise Fee" – Unless otherwise designated by us in our sole discretion, the sum of \$19,500 and payable by Franchisee to Franchisor upon execution of this Agreement by Franchisee and acceptance of this Agreement by Franchisor.

(k) "Initial Term" - The term beginning on the Effective Date and continuing for a period of five (5) years, unless this Agreement is terminated at an earlier date in accordance with the terms hereof.

(l) "Marks" - The trademarks, service marks, trade names, trade dress, logos, slogans, and other commercial symbols, including without limitation the mark "Rhea Lana's™," which is now and/or in the future owned by, or licensed to, us and which we designate to be used to identify the System, Products, Designated Supplies, and/or other products or services offered by a Consignment Sale Business.

(m) "Manual(s)" - One or more handbooks, manuals, bulletins and/or volumes, other written materials, and video, audio and/or software media (including materials distributed electronically or otherwise), regardless of title, containing, among other things, specifications, forms, standards, policies and procedures prescribed by us and to be followed by you in connection with your development, operation and marketing of your Consignment Sale Business and your performance under this Agreement. The term "Manual(s)" also includes all future changes and supplements to any items identified in this Section 1.1(o).

(n) "Products" or "Retail Products" - Retail items bearing our Marks that have been designated by us or developed in accordance with our specifications, and/or that have been packaged or labeled with our Marks, including, t-shirts and other accessories.

(o) "Renewal Franchise Fees" – The sum of \$3,000 for a Large Market due and payable by Franchisee to Franchisor upon expiration of the Initial Term or a Renewal Term, as applicable, for renewal of this Agreement for an additional five (5) year term. The renewal franchise fee will increase by an additional \$850 if the Franchisee has chosen to pay the one-time Successful Territory Premium or \$425 if the Franchisee has exercised the Holiday Event Premium. An additional \$500 would also be due if the Franchisee has failed to meet the minimum sales requirements.

(p) "Renewal Term" – The term beginning on the expiration of the Initial Term or the immediately preceding Renewal Term and continuing for a period of five (5) years thereafter, unless this Agreement is terminated at an earlier date in accordance with the terms hereof.

(q) "Sale Royalty Fees" – The amount due by Franchisee to Franchisor within thirty (30) days following the last date of each and every Consignment Sales Event equal to the sum of (i) three percent (3%) of the first \$100,000 of gross sales of such Consignment Sales Event, plus (ii) two percent (2%) of gross sales of such Consignment Sales Event of more than \$100,000 and equal to or less than \$200,000, plus (iii) one (1%) of gross sales of more than \$200,000 and equal to or less than \$300,000, plus (iv) one-and-a-half (1 ½ %) of gross sales of more than \$300,000 and equal to or less than \$400,000, plus (v) two percent (2%) of gross sales of such Consignment Sales Event of more than \$400,000 of such Consignment Sales Event. If your actual Gross Sales for any Rhea Lana's Event are less than your minimum sales requirement,

you will pay minimum royalties in the amount of \$1,000.

(r) “System” - The distinctive format and method of doing business now or in the future developed, used and/or modified by us in the exercise of our reasonable business judgment for the operation of a business offering non-continuous consignment sales of children’s clothing and related items, including but not limited to: (a) specific methods, procedures, guidelines, and/or programs developed by us and used for conducting the Consignment Sales Events; (b) operating, marketing, training and other systems, procedures and standards; and, (c) the standards of quality and service used in the operation of a Consignment Sale Business.

(s) “Territory” - The geographic area in which you have the right to operate your Consignment Sale Business, subject to the terms and conditions of this Agreement.

(t) “Termination” – The earliest to occur of: expiration of this Agreement, non-renewal of this Agreement, or termination in accordance with Section 10 of this Agreement.

(u) “Transfer” - Any sale, assignment, conveyance, gift, or other change in ownership of all or any part of the rights and obligations of this Agreement, of your Consignment Sale Business, and/or of any other assets pertaining to your operation of your Consignment Sale Business.

(v) “Vendor” - Manufacturers, distributors, suppliers, and all others approved by us to provide you Designated Supplies, and/or Products for use in your Consignment Sale Business.

(w) Missed Sale Royalty – You are required to pay a royalty for each consignment sale which you are required to conduct, but fail to conduct, under the Franchise Agreement. The fee is equal to the royalty fee for the last season during with the sale was not missed or \$1,000, whichever is greater. Missed sale royalties are subject to change with 30 days written notice by Franchisor.

(x) Technology Fee - Our current technology fee is \$75/month and will be billed every six months.

This includes (2) email addresses per franchise for owners only. Additional email addresses for owners, as the date of this document, is ten dollars (\$10) per month. The technology fee is billed twice-annually (January & July). Starting from the signing of the Franchise Disclosure Document, Franchisee will pay the pro-rated portion through the next twice-annual billing cycles. This rate is subject to change with 30 days written notice by Franchisor.

SECTION 2

GRANT OF FRANCHISE

2.1 Granting Clause. Subject to your continued compliance with this Agreement, we grant to you and you accept from us a franchise to operate a Consignment Sale Business within the Territory under the Marks and the System in accordance with the terms and conditions of this Agreement. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, and that you will continuously exert your best efforts to promote, enhance and maximize your Consignment Sale Business and the goodwill of the Marks. As a franchisee, you will continuously comply with the following (and all other) elements of the System:

(a) You will conduct Consignment Sales Events in compliance with the System and the Manual(s);

(b) You will maintain a close and personal working relationship with your Consignment Sale Business; and,

(c) You agree to be personally accountable for the performance of your obligations under this and all other agreements pertaining to your Consignment Sale Business.

(d) You should devote your personal best efforts to operating the Franchise to attempt to achieve the highest sales and profits possible in a manner consistent with Rhea Lana's operating standards and image in the community in which the Franchise is located. You should diligently develop and personally promote the reputation and goodwill of the Franchise, the Marks and Rhea Lana's, and shall keep free from any involvement, investment or ownership in or with any enterprise or other activity that would be detrimental to, interfere with or create an actual or potential conflict of interest with the Franchisor's exertion of best efforts to operating the Franchise.

2.2 Exclusive Territory. Your franchise is a territory-specific franchise only, with you having no other rights except for any rights expressly granted to you under this Agreement. The Territory is described in Schedule B to this Agreement. Franchisor agrees that, as long as you are in Good Standing under this Agreement, Franchisor will not hold and will not grant to anyone else the right to hold a Consignment Sales Event in the Territory.

During the term of this Agreement, Franchisee agrees that it shall not establish a similar or competing business outside the Territory. Franchisee also agrees to not sell items online or in person that can be sold at your Rhea Lana's events. This includes, but is not limited to, selling of items on Facebook, social media platforms, and/or other online or in-person sites. Franchisee also agrees that it shall not establish a similar or competing business outside the Territory or within the Territory for a period of twenty-four (24) months following termination of the Franchise Agreement.

2.3 Activities of Other Franchisees in the Territory. Notwithstanding the exclusive nature of your Territory, other Rhea Lana's franchisees may have advertising efforts, such as radio, newspaper, magazine, television, large public events and Internet ads that are broadcast in your Territory and you agree that those advertisements benefit the System as a whole, and will not object to such advertisements so long as they are not direct mail pieces, electronic target marketing promotions specifying zip codes or addresses within your territory, flyer postings, handouts delivered within your Territory so long as such other franchisees are not conducting Consignment Sales Event within your Territory.

2.4 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees or licensees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees or licensees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

TERM AND RENEWAL

SECTION 3

3.1 Initial Term. This Agreement shall remain in effect for the Initial Term.

3.2 Renewal. At the end of the Initial Term or any Renewal Term, you may pay the Renewal Fee and renew the franchise relationship with Franchisor for a successive five (5) year term, provided that:

(a) Franchisee is in Good Standing under this Agreement and has not been in default of the Agreement more than two (2) times during the immediately preceding twelve (12) month period;

(b) Franchisee shall have notified Franchisor in writing of its desire to renew at least 90 days prior to the expiration of the then-current term of this Agreement (inclusive of any state specific notice periods);

(c) Franchisee shall execute Franchisor's then-current franchise agreement, which may contain terms

and conditions substantially different from those set forth herein, including, but not limited to, increased Renewal Franchise Fees, Sale Royalty Fees, Missed Sale Fees and the imposition of additional fees;

(d) Franchisee shall conduct any modernization or upgrade of the Consignment Sale Business required by Franchisor, including printed materials, equipment, and computer hardware and software at Franchisee's sole cost; and

(e) Subject to applicable state law, Franchisee shall execute a general release in a form provided by Franchisor releasing Franchisor of any and all claims, of whatever nature, that the Franchisee may have against Franchisor.

3.3 Effect of Non Renewal. Should Franchisee fail to comply with any of the requirements set forth in Section 3.2, or otherwise indicate its desire not to renew the Agreement, then Franchisor may immediately commence offering franchises in the Territory, or open a Consignment Sale Business operated by us. In either case the new Consignment Sale Business may be opened for business during the final 30 days of the term of this Agreement and Franchisee shall have no claim to exclusivity in the Territory during such time.

SECTION 4

FEES

4.1 Initial Franchise Fee. When you sign this Agreement, you will pay us in cash, credit card or other form of payment acceptable to us, such as cashier's check or wire transfer, an Initial Franchise Fee. The Initial Franchise Fee is fully due and payable to us upon the execution of this Agreement and is entirely non-refundable.

4.2 Sale Royalty Fee. Within thirty (30) days following the last day of each and every Consignment Sales Event, you will pay us, in cash, credit card or other form of payment acceptable to us, such as cashier's check, eCheck or wire transfer, the Sale Royalty Fee. Your obligation to pay the Sale Royalty Fee to us is fully established upon the opening of each and every Consignment Sales Event conducted by you.

4.3 Additional Fees and Costs. Additional training, services and other fees and expenses shall be charged to you as provided in Schedule C. In the event you request training, services or other items from us that are not provided for in Schedule C, we shall use commercially reasonable efforts to reach an agreement with you regarding those services at the time of the request. Under all circumstances, you will promptly reimburse us for all incidental expenses incurred by us in rendering such services.

4.4 Direct Purchases by the Public. Franchisor sells Retail Products for sale on its website, it is likely that your customers, or anyone else, may purchase our Retail Products directly from us through our website or other Consignment Sales Events. You are not entitled to any payment or commission on Retail Products sold through our website or other Consignment Sales Events even if the customers purchasing the Retail Products are located in your Territory.

4.5 Transfer Fee. As a condition of transfer of this Franchise, you must pay to us, prior to Transfer, a nonrefundable Transfer Fee equal to thirty five percent (35%) of the amount of the Initial Franchise Fee then in effect for new franchisees of territories of the same market size at the time of Transfer.

4.6 Interest. Any payment not received by us when due will bear interest daily (i) at the rate of ten percent (10%) per annum or (ii) at the highest rate allowed by applicable law on the date when payment is due, whichever is less. If you fail to pay any amounts when due (including any electronic draft returns, returns for insufficient funds or otherwise), or fail to deliver any report when due, that such failure can

constitute grounds for termination of this Agreement, in spite of the provisions of this Section 4.6.

4.7 Application of Payments. Notwithstanding any designation by you, we can apply any payments received from you to any past due or other indebtedness of yours as we choose in the exercise of our reasonable business judgment. We can set off, from any amounts that may be owed to you, any amount that you owe to us. We have the right to accept payment from any other person or entity as payment by you. Our acceptance of that payment will not result in that other person or entity being substituted into this Agreement or any other agreement on your behalf.

4.8 Audit. We have the right, at our expense, during normal working hours to audit your books and records, including your tax returns, no more than once each calendar year with respect to the Consignment Sale Business. If, however, our audit determined that you underreported sales by more than one percent (1%) of your reported Gross Sales or you failed to include and account for all of the materials provided to your for sale on a consignment basis, then we shall have a right to receive payment for the correct Sale Royalty Fee and charge and recover from you one hundred twenty percent (120%) of the costs incurred with the audit.

4.9 Second Franchise Fee. Provided you remain in Good Standing, we may offer to you an additional Territory (covered under a new Franchise Agreement) for a reduced Initial Franchise Fee of \$19,000.

4.10 Successful Territory Premium. In the event you hold a fourth Consignment Sales Event in the same calendar year in the Territory, you shall pay a one-time, nontransferable premium (the "Successful Territory Premium") to us in recognition of the Territory's capability to support more than two annual Consignment Sales Events. The Successful Territory Premium is \$4,500 and is due and payable within thirty (30) days following the last day of such Consignment Sales Event. An earlier payment for a Holiday Event Premium will be credited to you and reduce the payment for a Successful Event Premium.

4.11 Holiday Event Premium. In the event you hold a third Consignment Sales Event in the same calendar year in the Territory, you shall pay a one-time, nontransferable premium (the "Holiday Event Premium") to us in recognition of the Territory's capability to support more than two annual Consignment Sales Events. The Holiday Event Premium \$2,250 for Large Markets and is due and payable within thirty (30) days following the last day of such Consignment Sales Event.

4.12 Semi-Annual Design Fee. Each Spring and Fall Franchisor will serve the Franchisee by designing and customizing marketing and promotional materials for the franchisee's upcoming Consignment Sales Event. You will provide to us detailed and timely information, including but not limited to the sale dates, sale location, quantities, product reviews and proof approvals, in order to produce each customized product. Each product shall have a specific price to be paid by you based upon the quantity ordered. Shipping charges and taxes may also apply. In addition to the specifically stated price for each product ordered you will pay a design fee (the "Design Fee") to offset costs of designing and customizing marketing and promotional materials. The Design Fee shall be \$175, payable within thirty (30) days following the last day of such Consignment Sales Event.

4.13 Email Sending Fee. All emails regarding the Consignment Sale Business shall be sent using our designated service and shall be sent from an official rhealana.com email address. The email service requires payment of a fee based upon the size of your email list and is payable each season within thirty (30) days of the conclusion of an event. For the avoidance of doubt, emails sent to multiple recipients shall be considered to be multiple emails for purposes of calculating this fee. The total number of emails sent shall be calculated by Franchisor.

4.14 eCheck Fee. Franchisees will now pay consignors through our eChecks integrated system. Fees for this service are based upon the number of eChecks a Franchisee issues each season. The eChecks

service fee requires payment within (30) days of the conclusion of an event.

4.15 Technology Fee. Franchisee agrees to pay a monthly fee for the use of technology. This is a monthly fee that will be billed bi-annually. Technology payments shall be made within (30) days after the date of the invoice to Franchisee for these costs.

SECTION 5

SERVICES TO YOU

5.1 Services Provided to You. We agree to deliver the following supplies to you, and perform the following services for you, provided that you are in Good Standing:

(a) We, at no cost to you except shipping, will provide you with one (1) Consignment Sales Event kit containing:

- (1) One (1) Rhea Lana's banner;
- (2) Two (2) T-Shirts and other promotional items;
- (3) One (1) copy of the Manual (on loan);
- (4) Templates for operational forms;
- (5) Website and Website Hosting;
- (6) Rhea Lana's backend franchise management functions;
- (7) Computer software for operating Consignment Sales Events;
- (8) Marketing tools and advertising templates; and
- (9) Reasonable customer support.

(b) We will use our best efforts to ensure we have at all times a supply of Designated Supplies available for purchase by you;

(c) We will provide you with upgrades and updates to the Manual(s) and Rhea Lana's computer software, if any, and will not charge more than our cost for these updates;

(d) We will prepare periodic e-mail newsletters to franchisees.

5.2 Training Materials. Training materials for operating the Consignment Sale Business consist of the Manual, and attendance at mandatory on-site training in Little Rock or Conway, Arkansas. All transportation, lodging, meal or other expenses incurred by Franchisee to attend this mandatory training are the responsibility of Franchisee.

5.3 Delivery Date of Supplies. We will deliver all goods and supplies necessary for you to begin substantial operations of your Consignment Sale Business when you attend the mandatory training sessions. At your request, we will deliver the Manual(s) to you prior to the mandatory training sessions.

5.4 Guidance and Assistance. From time to time, we may furnish guidance to you with respect to operating procedures utilized by other Consignment Sale Businesses, developing and implementing local advertising and promotional programs, and administrative, bookkeeping, accounting, and general operating and management procedures. This guidance may, in the exercise of our reasonable business judgment, be furnished in the Manual(s), bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations. You will follow and comply with this guidance to the extent it is generally applicable to all franchises, but to the extent it deals with issues, images, etc relevant to only your Franchise, you may look upon such guidance and assistance as suggestions. You, however, will not refuse to follow any guidance or assistance provided by us if such refusal would reflect negatively or otherwise harm the image or reputation of Franchisor, its other franchisees, the Systems, the Marks or the Consignment Sale Business.

5.5 Consultation. We will use commercially reasonable efforts to make our personnel available to you for consultation throughout the term of this Agreement, at no additional charge to you, except reimbursement of direct costs or in the event an on-site consultation is requested by you. We will further use our commercially reasonable efforts to respond by telephone or e-mail to any operating problem encountered in a timely manner after you notify us of the problem.

5.6 Third Party Customer Support. We may negotiate services on your behalf with third party providers. We make no representations and offer no warranties as to the availability or quality of any customer support offered by any third party relating to the operation of your Consignment Sale Business.

5.7 Vendors and Acquisition of Designated Supplies. We will endeavor to identify Vendors who can provide Designated Supplies at reasonable costs to you, but if you are able to obtain the Designated Supplies elsewhere for a lower costs or just prefer to use a different Vendor, you are free to do so. You are not required to purchase Designated Supplies or Products from our Vendors; you are required to adhere to our standards of quality.

SECTION 6

YOUR OBLIGATIONS

6.1 Use of the Marks. Your right to use the Marks is derived solely from this Agreement and is limited to use in connection with the operation of a Consignment Sale Business in compliance with this Agreement and all applicable standards, specifications and procedures prescribed by us. You must use the Marks only as expressly authorized by us. You shall not oppose or challenge, or engage in any acts or omissions inconsistent with, our rights in and to the Marks. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights in and to the Marks. This Agreement, and your operation of your Consignment Sale Business, does not confer any goodwill or other interests in the Marks on you (other than the right to operate your Consignment Sale Business in compliance with this Agreement), or any goodwill (whether relating to the Marks or otherwise) and such interests belonging exclusively to us. All provisions of this Agreement applicable to the Marks will apply to any other trademarks, service marks and commercial symbols whenever authorized for use by, and/or licensed to, us. Any marks or other forms of identification developed by us in the future will remain our property and you will have no rights in or to them, but we may require you to use them as we direct. You agree that if you breach any obligation regarding the Marks, we would have no adequate remedy at law and that we will be entitled to equitable relief with respect to any such breach. For this reason, if there is a substantial likelihood of your breach or threatened breach of any obligation regarding the Marks, you hereby consent and stipulate to entry of a temporary restraining order, injunction, and/or other equitable relief that may be granted until a final determination is made by the court or arbitrator. You further agree no bond or security shall be required in obtaining such equitable relief. For the avoidance of doubt, this provision shall in no way restrict or prevent us from seeking any other legal and/or equitable remedies which may be available. Your rights to the Marks are non-

exclusive, are only as set forth in this Agreement, and we retain the sole right to grant other licenses or sublicenses to use the Marks (in addition to those already granted) and to establish and/or become involved with other, similar and/or related businesses and to grant them rights with respect to the Marks without providing you with any rights.

6.2 Limitations on Use of the Marks. Unless we direct or consent (in writing) otherwise, you must use the Marks as the sole identification in connection with your Consignment Sale Business, provided that you must identify yourself as the independent owner of your Consignment Sale Business as prescribed by us. You shall not use any Mark as part of any corporate or trade name or as your primary business name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. (For example, and by way of illustration only, you may not use “Rhea Lana’s of Texas, Inc.”) You shall not use any of the Marks in connection with the performance or sale of any unauthorized services or products or in any territory or in any other manner not expressly authorized in writing by us. You must display the Marks prominently in connection with advertising and marketing materials and you must not

use any of the Marks so as to negatively affect the goodwill associated with the Marks. You must not provide any Products through your Consignment Sale Business or otherwise under any identification or trade name, other than the Marks. You must give such trademark and other notices (including notices of independent ownership) as we direct and must, at your own expense, obtain fictitious or assumed name registrations as may be required under law. You must sign such documents and act as reasonably required by us from time to time to protect our interests in the Marks and you must not take any action, or omit to take an action, so as to jeopardize our interests in, or the validity or enforceability of, the Marks.

6.3 Discontinuance of Use or Changes in the Marks. We have invested substantial time, energy, and money in the promotion and protection of our Marks as they exist as of the date of this Agreement. As a result of such efforts, the Marks have associated with them valuable goodwill and name recognition, and serve to distinguish Rhea Lana’s products and services, including the high quality of such products and services, from that of any other business. We have no present intention of altering them. However, rights in intangible property such as the Marks are often difficult to establish and defend and changes in the cultural and economic environment within which the System operates or third party challenges to our rights in the Marks may make changes in the Marks desirable or necessary. If we determine in our sole discretion it becomes advisable at any time for you to modify or discontinue the use of any of the Marks or use one or more additional or substitute trademarks or service marks, you will promptly comply (at your sole expense) with our directions to modify or otherwise discontinue the use of such Marks. We shall not have any liability or obligation (whether of defense, indemnity, expense reimbursement or otherwise) to you, and you agree to make no claim, for or in connection with, any modification, discontinuance or otherwise, and/or any dispute regarding the Marks and/or your and/or our rights in or to them as provided in this paragraph Section 6.3. We make no guarantee that a modification, discontinuance or otherwise may not be required, whether as a result of expiration, termination or limitation of our rights to the Marks or otherwise.

6.4 Independent Status. It is expressly understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that nothing in this Agreement is intended to appoint, or suggest or imply the appointment of, either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. Franchisor shall not direct or control Franchisee or Franchisee’s employees with the means and manner of their daily work performance. Franchisee retains sole responsibility for the employment aspects of your operation, including recruiting, hiring, scheduling, work assignment, compensation, supervision, performance evaluation, promotion, transfer, discipline and discharge. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name, and that we shall in no event assume liability for or be deemed liable hereunder as a result of any such action, or by reason of any act or omission of Franchisee in its conduct of the Consignment Sale Business or any claim or judgment arising therefrom against Franchisor.

6.5 Advertising Materials. Subject to the exceptions below, you agree to purchase marketing/advertising and promotional print materials directly from us or our designated supplier. In the case we agree to review and consider potential alternative advertising materials, you agree to submit to us (via certified mail) for our review and consent copies of all advertising materials that you propose to use (other than our previously approved templates), prior to any broadcast and/or publication of the proposed advertising materials. We will then have ten (10) days from the date of receipt of the proposed advertising materials to review them. We may withhold or condition our consent as we see fit in our sole discretion. If written approval is not received by you within the ten (10) days from the date of receipt by us of such materials, we will be deemed not to have given the required written consent. In addition, we reserve the right to later retract any consent by written notice to you. Our review of and consent to your local marketing materials is not a representation or a promise that those materials (utilized in the media you propose) will have a positive effect on your Consignment Sale Business. Our consent only indicates that the materials properly use the Marks in a manner consistent with our overall marketing plan. You may not use any advertising or promotional materials or programs that we have disapproved, in our sole and independent discretion, or that do not include the copyright, trademark and other notices required by us. We may require that a brief statement regarding the purchase of a Rhea Lana's Franchise be included in all advertising used by you and that a brochure regarding purchase of a franchise be made available from you to the public on request. Franchisees are not allowed to hire other franchisees for services, products, or goods unless the franchisee has a written agreement to offer services through Rhea Lana's Franchise Systems, Inc. Approval for written agreement can be found in Item 8.

6.6 Previously Approved Materials and Advertising Templates. For purposes of Section 6.5, advertising materials that differ from previously approved materials only in such variables as date or contact information will be considered to be pre-approved by us. In addition, advertising templates (as referenced in Section 5.1(a) of this Agreement) that differ only in such variables as date or contact information will also be considered pre-approved by us. Any further changes to the advertising templates by you must be submitted to us as provided in Section 6.5 above. Even if we have previously approved specified materials, we may later withdraw our approval if we reasonably believe it necessary in order to make the advertising conform to changes in the System or to correct unacceptable features of the advertising, including any misrepresentation in the advertising material.

6.7 Notification of Infringements and Claims Against the Marks. You must immediately notify us of any apparent or actual infringement of, or challenge to, your use of any Mark, or any claim by any person or entity of any rights in any Mark, and you must not communicate with anyone other than us, our counsel, or your counsel who would be in privity with you and with whom your comments and strategies would be subject to attorney client privilege in connection with any such matter. We shall have sole discretion to take such action as we deem appropriate in connection with such (or any related) matters, and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of or related to any such matters or otherwise relating to any Mark so long as such settlements or other actions do not require you to incur any obligations to a third-party, other than as may be directly related to treatment or use of any Mark, or the payment of your own legal expenses and other associated costs. Subject to the preceding sentence, you will execute any and all instruments and documents, render such assistance, and do such acts and things as may, in our opinion, be advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

6.8 Manual(s). During the term of this Agreement, we will loan you (or allow you electronic or other access to) one (1) copy of the Manual(s), containing mandatory and suggested specifications, standards and operating procedures prescribed by us for a Consignment Sale Business, instructions for use of the Marks and/or the System, and/or information related to your obligations under this Agreement. We can, in the exercise of our reasonable business judgment, modify any aspect of the Manual(s), as well as specifications, standards, policies and procedures of Consignment Sale Business to, among other things,

specify different or additional Designated Supplies to be used by you when conducting Consignment Sales Events. In the event we make such modifications, we will provide you with copies of such changes and written directions regarding the updating of your Manual (s). You will promptly and continuously comply, at your sole expense, with all provisions of, and additions/deletions/changes to, the Manual(s). You have no expectation that the Manual(s) will not be changed over time, and instead you and we anticipate that such changes will take place, in response to competitive challenges, commercial opportunities and otherwise, and/or to improve our operations. You will keep your copy of the Manual(s) current by immediately inserting all modified pages and (if requested by us) destroying the superseded material with written verification of such destruction, or returning to us all superseded material. Any such additions/deletions/changes will take precedence over all prior communications and in the event of a dispute, the master Manual(s) maintained at our office, or on our website shall control. The provisions of the Manual(s) as modified from time to time by us and communicated to you constitute provisions of this Agreement and are binding upon you. The Manual(s) contains proprietary and/or confidential information of ours and you agree to keep the Manual(s) and information contained therein confidential at all times during and after the term of this Agreement.

6.9 Notification of Complaints Against You. You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, you and/or your Consignment Sale Business.

6.10 Performance, Management, and Personnel. You are required to personally conduct, attend, and supervise in the management of your Consignment Sale Business; absentee ownership is not permitted by us. You are responsible for hiring all managers and employees of your Consignment Sale Business, if any, and will be solely responsible for their supervision and possible termination, the terms of their employment and compensation, and for the proper training of such managers and/or employees of yours in the operation of your Consignment Sale Business.

6.11 Compliance with Laws and Ethical Business Practices. You must secure and maintain, in your name, all required licenses, permits and certificates relating to the operation of your Consignment Sale Business. You must operate your Consignment Sale Business in full compliance with all applicable laws, ordinances and regulations. We make no representations or assurances as to what, if any, licenses, permits, authorizations or otherwise may be required in connection with your establishment or operation of your Consignment Sale Business, and it is your sole responsibility to determine what licenses, permits, authorizations or otherwise are required and to obtain them, all at your sole cost. You will, in all dealings with your customers, Vendors, and/or public officials, adhere to high standards of honesty, integrity, fair dealing and ethical conduct, in each case above and beyond merely legal requirements. You will refrain from any business or advertising practice, which may be injurious to our business and/or the goodwill associated with the Marks and other Consignment Sale Businesses.

6.12 Accounting and Reports. You will establish and maintain at your own expense a bookkeeping, accounting, record-keeping and records retention system conforming to requirements prescribed by us in the Manual(s). Upon our request you must submit to us accurate financial reports and copies of all federal and state income tax returns relating to your Consignment Sale Business. Each report and financial statement submitted by you to us must be verified as correct and signed by you personally if a sole proprietorship, by a general partner if a partnership, or by an executive officer or other authorized agent of yours if a corporation or a limited liability company. You will furnish to us, upon our request, complete copies of all records of or relating to your Consignment Sale Business. In addition to any other legal obligation(s) which may exist, you will maintain and keep all records of or relating to your Consignment Sale Business for at least two (2) years after Termination.

6.13 Insurance. You must purchase and maintain a policy or policies of comprehensive general

liability insurance covering all of the assets, personnel, and activities of the Consignment Sale Business on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than One Million Dollars (\$1,000,000), or Three Million Dollars (\$3,000,000) in aggregate claims per year. We may increase the minimum coverage requirement with 60 days written notice. You must maintain policies of workers' compensation insurance, and any other types of insurance required by applicable law, or by a property owner or leasing company. Each insurance policy that is required under this Agreement must contain a provision that the policy cannot be canceled without ten (10) days' written notice to us. It must be issued by a properly licensed insurance company of recognized responsibility and in good standing in the state where you intend to operate your Consignment Sale Business, and with no less than an "A" rating, designate us as an additional named insured, and be satisfactory to us in form, substance, and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us within ten (10) days after the policy is issued or renewed. Your failure to maintain (or cause to be maintained) appropriate insurance is an act of default under this Agreement. Should Franchisee not properly secure insurance, Rhea Lana's could generate a policy to cover themselves. You will be required to reimburse Rhea Lana's for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for Rhea Lana's time incurred in obtaining such insurance.

6.14 Uniform Appearance. We recommend that you require all employees to wear Rhea Lana's logo apparel and other standardized insignia during Consignment Sales Events and comply with programs of standardization promulgated by us from time to time to promote the acceptance and goodwill of the System and the Marks. In the event you elect to have your employees dress differently, all attire shall be modest and appropriate to uphold the reputation of the System and the Marks and to assure that all Consignment Sales Events remain "family events."

6.15 Website. We have the right to establish and maintain a web site, which may promote the System. We have the sole right to control all aspects of the web site, including its design, content, functionality, links to other web sites, legal notices, and policies and terms of usage. Part of the services provided by us to you is the ability to create your own web site to promote your Consignment Sales Business and Consignment Sales Events. You must obtain our written approval in advance before establishing or maintaining any web site, or other Internet, social media or any other public computer network, presence or advertising in connection with your franchise. If you establish an approved Facebook, Twitter, Instagram or any other social media presence on the Internet using the Marks, then this web presence will automatically become our sole property, will remain at all times subject to our review and direction, in our sole discretion, regarding content, tone and similar matters, and may only be used and operated for the exclusive benefit of the Consignment Sale Business and for no other purpose whatsoever. You must designate us as an administrator and provide login information to us on all approved social media accounts.

6.16 Conduct of Sales. Franchisee agrees to hold its first Consignment Sales Event within the three hundred (300) day period beginning on the Effective Date. For as long as this Agreement remains in effect, you further agree to hold at least two (2) Consignment Sales Events in the Territory in accordance with the requirements set forth in the Manual every twelve months. Of these two (2) annual Consignment Sales Events, one (1) Consignment Sales Event shall be held in the Spring from February 1st through May 31st and one (1) Consignment Sales Event shall be held in the Fall from July 15th through November 30th. Failure to hold one (1) Consignment Sales Event during a season shall constitute a non-curable default under this Agreement, and failure to hold two (2) consecutive Consignment Sales Events shall constitute a material breach under this Agreement. Each Consignment Sales Event that Franchisee is required to hold hereunder, but fails to hold, is referred to herein as a "Missed Sale." In the event of a Missed Sale, you will pay to us a fee (the "Missed Sale Fee") in an amount equal to the Sale Royalty Fee calculated for this franchise for the last season during which the sale was not missed. The Missed Sale Fee shall fully become an obligation of Franchisee upon the occurrence of a Missed Sale, and shall be payable to Franchisor on or before the immediately following December 1 (if the Missed Sale failed to take place in the Fall) or July 1 (if the Missed Sale failed to take place in the Spring), as the case may be.

6.17 Database and Address Lists. Database and address lists associated with your franchise are the sole property of Rhea Lana's Franchise Systems, Inc. Access to databases and other proprietary information is restricted to the systems and permissions created by Rhea Lana's Franchise Systems, Inc. Any data access or removal, including screen copies, exports or other unapproved means, is considered to be a default under this agreement.

6.18 Update of Computer Systems. Franchisee must update and upgrade your computer system, but not more frequently than once per year at a cost not to exceed \$1,000 per station.

6.19 General. Franchisee agrees to operate the Franchise in strict compliance with this Agreement, the Operations Manual and all applicable laws, rules, and regulations. Franchisee agrees to host Rhea Lana's Events at least semi-annually, one (1) in the spring (January – June) and one (1) in the fall (July – December), provided the first sale is within three hundred (300) days of the execution of this Agreement. If you are acquiring an existing franchise as a transferee, the three hundred (300) day time period does not apply, and you must continue to host Rhea Lana's Events during each Sale Season. Franchisee agrees to comply with the standards of cleanliness, safety, courtesy, quality and efficiency established by Rhea Lana's. Franchisee agrees to faithfully, honestly, diligently and in good faith promote and enhance the goodwill of Rhea Lana's and the System. In all dealings with the public, Franchisee agrees to be courteous, polite and act with reasonableness and in good faith. You acknowledge and agree that operating and maintaining the Rhea Lana's Consignment Sales Business according to System are essential to preserve the goodwill of the Marks and the goodwill of all Rhea Lana's Events.

6.20 Personal Involvement by Owners. Franchisee agrees that its principal owners will personally devote their own time, effort, and attention to the operations, management and supervision of the Franchise. Franchisee represents and warrants to Rhea Lana's that its principal owners acquired the Franchise not as a passive investment and that they are not relying entirely upon the efforts of others to make a profit from the Franchise.

6.21 Royalty. Franchisee agrees to pay Rhea Lana's a Royalty promptly following the end of each Rhea Lana's Event. The current applicable royalty as of the date of this Agreement is to the sum of (i) three percent (3%) of the first \$100,000 of gross sales of such Consignment Sales Event, plus (ii) two percent (2%) of gross sales of such Consignment Sales Event of more than \$100,000 and equal to or less than \$200,000, plus (iii) one (1%) of gross sales of more than \$200,000 and equal to or less than \$300,000, plus (iv) one-and-a-half (1 ½ %) of gross sales of more than \$300,000 and equal to or less than \$400,000, plus (v) two percent (2%) of gross sales of such Consignment Sales Event of more than \$400,000 of such Consignment Sales Event. If your actual Gross Sales for any Rhea Lana's Event are less than your minimum sales requirement, you will pay minimum royalties in the amount of \$1,000.

6.22 Communication. You agree to timely and considerate communication regarding the franchised business. You agree to respond as soon as possible (and at least within forty-eight (48) hours) to all communications including without limitation, communications from Rhea Lana's, customers, and consignors, regardless how you received the communication.

6.23 Event Standards. You agree to hold events that are of the highest standards of quality of items sold, safety, cleanliness, and appearance. You will not sell items with damages and defects and you will ensure that no recalled items are sold. Items that are not acceptable for sale in a Rhea Lana's sale by Franchises are clothing which is stained or damaged, recalled items, and items that are not in usable and working condition.

6.24 Individuals. You, as the franchise owner, will be responsible for the hiring, firing, disciplining, training, safety, compensation, benefits, taxes, workers compensation, supervision and performance of any and all individuals providing any mode or mean of assistance to your Rhea Lana's Consignment Sales Business. You acknowledge your duty to conduct your own investigation and seek legal and accounting advice to determine in your judgment as an independent business owner how you will engage the Individuals, provided that you agree to comply with all local, state and federal laws and

regulations and to be solely responsible for the selection, training, and conduct of all the Individuals.

6.25 Completion of Training. Any franchisee with twenty-five percent (25%) or more interest in the franchise must successfully complete Rhea Lana's training before the holding of any Rhea Lana's Event. Training for up to two (2) owners during the Franchisee's initial scheduled training session is included in the franchise fee. Should franchisee have more than two (2) owners with a twenty-five percent (25%) or more interest, the Franchisee agrees that they will pay an additional training fee of one thousand five hundred dollars (\$1,500) per person for the third person and all subsequent persons requiring training. Franchisee also agrees that Franchisee shall be responsible for paying the travel, hotel, food and other expenses associated with this training.

6.26 Website/Technology Fee. Rhea Lana's will provide you with a webpage on Rhea Lana's Website. You must use Rhea Lana's internet domain name (rhealana.com) and not any other domain name. We will own all intellectual property and other rights in the Franchise System Website, including your webpage, and all information they contain, including, without limitation, the domain name or URL for your webpage and any business data that may be received from visitors on the site. Franchisee will pay a Technology Fee to Rhea Lana's monthly which will include one (1) license per franchise for Rhea Lana's technology and two (2) email addresses per franchise. Our current technology fee is \$75/month and will be billed every six months. This includes (2) email addresses per franchise for owners only. Additional email addresses for owners, as the date of this document, is ten dollars (\$10) per month. The technology fee is billed twice-annually (January & July). Starting from the signing of the Franchise Disclosure Document, Franchisee will pay the pro-rated portion through the next twice-annual billing cycles. This rate is subject to change with 30 days written notice by Franchisor.

SECTION 7

CONFIDENTIALITY AND COMPETITION

7.1 Confidentiality. You acknowledge and agree that:

- (a) The Confidential Information gives us a competitive advantage and all materials and other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence and constitutes Confidential Information;
- (b) We have taken all measures necessary to protect the Confidential Information;
- (c) You will maintain the confidentiality of all Confidential Information during the term of this Agreement and thereafter, and you may not disclose any such information to any third party, except to your employees to the extent necessary for them to render their services to the Consignment Sale Business, or as authorized in writing by us. You shall not, during the term of this Agreement or at any time thereafter, copy, communicate or disclose any Confidential Information to any unauthorized person; and,
- (d) Within ten (10) days after Termination, for any reason, you will return to us any and all tangible materials provided to you, which contain our Confidential Information.

7.2 Noncompetition. You acknowledge and agree that:

- (a) In developing the System, we have made and continue to make substantial investments of time, technical and commercial research and money;
- (b) We would be unable to adequately protect the Franchise and our trade secrets and Confidential Information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information within the Franchise if franchisees were permitted to hold interests in, or perform services for, competitive businesses; and,
- (c) Restrictions on your right to hold interests in, or perform services for, competitive businesses will

not hinder your activities.

Accordingly, you covenant and agree that during the term of this Agreement and for a period of twenty-four (24) months following its expiration or earlier termination, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity, own, maintain, operate, engage in, advise, help, become an employee of or affiliated with, make loans to, or have any interest in, either directly or indirectly, any business which is in competition with Franchise. Further, you agree not to employ or seek to employ any person who is employed by Franchisor, any affiliated company, or by any franchisee of Franchisor, or to otherwise directly or indirectly induce such person to leave his or her employment. While this Agreement remains in effect, there is no geographical limitation on the restrictions contained in this paragraph. Following Termination, such restrictions shall apply everywhere within your Territory, within fifty (50) miles of the boundary of the Territory, and/or within fifty (50) miles of the boundary (unless the Territory is located in California, in which case the restriction will apply within ten (10) miles of the boundary) of any other territory within the Franchise, except as we otherwise approve in writing. If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or area (as applicable) may be reduced by appropriate court order or arbitrator's ruling to that deemed reasonable. If we file arbitration or litigation to enforce the post-termination portion of these restrictions, the 24-month period shall begin running upon the entry of a final, non-appealable judgment.

7.3 Separate Nondisclosure/ Noncompetition/ Non-Solicitation Agreements. As part of your obligations under this Agreement, you must execute, concurrently with the execution of this Agreement, a nondisclosure/noncompete/non-solicitation agreement ("Nondisclosure Agreement"). All principals of the Franchisee, your manager and other personnel having access to our confidential information by virtue of their relationship with you must also sign separate Nondisclosure Agreements, and you must provide us with the executed original of such Nondisclosure Agreements within ten (10) days following such person's date of hire and before they may access or use any of the Confidential Information or our proprietary information or trade secrets. The Nondisclosure Agreement contains obligations that extend beyond the term(s) of this Agreement.

SECTION 8

YOUR ORGANIZATION

8.1 Representations if Business Entity. If you are a corporation, a limited liability company or a partnership, you make the following representations and warranties:

(a) Unless otherwise approved by us in writing, your bylaws, operating agreement, or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation of the Consignment Sale Business.

(b) If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any voting securities. If you are a corporation, a limited liability company or a partnership, each stock or membership certificate shall provide that any assignment or transfer of ownership interests is subject to the restrictions imposed by this Agreement.

(c) Regardless of the type of business entity under which you operate your Consignment Sale Business, you must provide to us, within thirty (30) days after execution of this Agreement, the identity of the fictitious business name under which you are operating the Consignment Sale Business, if any.

8.2 Duty to Notify Us of Certain Events. You must notify us in writing of the occurrence of any of the following events within five (5) calendar days after such event occurs (or within five (5) calendar days after you discover said event has occurred):

(a) any pending administrative, criminal, or material civil action against you and/or any of "Franchisee's Principals";

(b) any insolvency, adjudication as a bankrupt, and/or any petition in bankruptcy, reorganization, or similar proceeding filed by or against you and/or any of your Principals;

(c) you and/or any of your Principals are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, and/or any other crime or offense that is reasonably likely to adversely affect us, the System and/or the Franchise; and,

(d) any judgments, orders, writs, injunctions, awards, and/or decrees of any court, agency, or other governmental instrumentality against you and/or any of your Principals which relates to, or is reasonably likely to adversely affect, us, the System and/or the Franchise, or which may affect the operation or financial condition of the Consignment Sale Business.

8.2 Evidence of Managed Dissolution. Prior to multiple Principals executing this Agreement, Principals shall produce agreements which demonstrate the method by which the Principals anticipate dissolving their relationship and transferring ownership in the instance that one or more Principals wished to cease owning and/or operating the franchise.

SECTION 9

TRANSFERABILITY OF INTEREST

9.1 Transfer by Us. You expressly recognize that we, without your consent, may sell our assets, the Marks or the System, in whole or in part, to a third party; or merge, acquire other corporations or entities, or be acquired by another corporation or other entity; and/or, undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. We have the absolute, unrestricted right, exercisable at any time, to transfer and assign all or any part of our rights and obligations under this Agreement to any person or legal entity without your consent, so long as the transferee or assignee expressly assumes and agrees to perform our obligations under this Agreement. If we transfer this Agreement, or any and/or all of our rights and/or obligations under it, all our past, current and future obligations to you will cease and be forever extinguished.

We also have the right, from time to time, to delegate the performance of any portion or all of our obligations and duties under this Agreement to designees, whether affiliates, agents or independent contractors with whom we have contracted to provide this service. With regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages regarding the loss of association with or identification of us as the franchisor under this Agreement.

9.2 Transfer by You.

(a) You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have entered into this Agreement in reliance on your integrity, business skill, financial capacity, personal character, and experience. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation or other legal entity which directly or indirectly controls you shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in this Agreement (collectively, "Transfer") without our prior written consent. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having our prior written consent shall be null and void and shall constitute a material breach of this Agreement, for which we may terminate this Agreement without providing you an opportunity

to cure the breach;

(b) You shall advise us in writing of any proposed Transfer within five (5) days after receiving or making any such offer. You must also submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, and submit a copy of all contracts and all other agreements or proposals, and all other information requested by us, relating to the proposed Transfer;

(c) We may either consent to the Transfer or tell you our reason(s) for refusing to consent. Silence may not be construed as consent. If we do not consent to the proposed Transfer, your obligations under this Agreement will continue until the expiration or termination of this Agreement. If we consent to the Transfer, then you may Transfer the interest described in the notice only to the named transferee and only on the terms and conditions stated in the notice. Consent by us to a particular Transfer will not constitute consent to any other or subsequent Transfer. Our consent to any Transfer shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee;

(d) The approval of a proposed Transfer shall not be unreasonably withheld so long as the proposed transferee qualifies, the proposed transferee is not a competitor of ours, and the transferee executes our then-current form of the Franchise Agreement, which agreement may differ substantially from this Agreement, including changes to the financial aspects of the contract. Our decision as to whether a proposed transferee qualifies will depend on numerous factors deemed relevant by us. These factors may include, but will not be limited to, the transferee's ability to demonstrate to Franchisor's satisfaction that it meets Franchisor's managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the Consignment Sale Business; and has adequate financial resources and capital to operate the Consignment Sale Business.

(e) All of your accrued monetary obligations to us (whether arising under this Agreement or otherwise) and all other outstanding obligations related to your Consignment Sale Business (including, but not limited to, bills from Vendors, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in our reasonable judgment, adequately provided for. We reserve the right to require that a reasonable sum of money be placed in escrow to ensure that all of these obligations are satisfied; and,

(f) You must be in Good Standing under the terms and conditions of this Agreement, and not in default beyond the applicable cure period with any Vendor or creditor to the Consignment Sale Business.

(g) Our decision with respect to a proposed Transfer shall not create any liability on our part to the transferee, if we approve the Transfer and the transferee experiences financial difficulties, or to the transferor or the proposed transferee, if we disapprove the Transfer pursuant to this Section 9 or for other legitimate business reasons. We have the right at any time, in the exercise of our reasonable business judgment and without any liability to the transferor or the proposed transferee, to communicate and counsel with the transferor and the proposed transferee regarding any aspect of the proposed Transfer, and you acknowledge and agree that we shall have no liability or obligation in connection with such communication and counsel;

(h) If we approve a proposed Transfer, prior to the Transfer becoming effective:

(1) You shall pay us the non-refundable Transfer Fee as described in Section 4.5;

(2) You and the proposed transferee shall execute, as directed by us, either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by us to reflect the Transfer, or our then-current standard form of franchise agreement for a term ending on the expiration of the then-current term under this Agreement;

- (3) You shall remain liable for all obligations to us incurred before the date of the Transfer and shall execute any and all instruments reasonably requested by us to evidence that liability; and,
- (4) You will sign a general release in favor of us, unless prohibited by applicable state law.

9.3 Death or Permanent Disability. On your death or permanent disability or, if you are a corporation, limited liability company or partnership, on the death or permanent disability of the owner of a controlling interest in you, the executor, administrator, conservator, guardian or other personal representative of such person may Transfer his or her interest in this Agreement and the Consignment Sale Business, or such interest in you, to a third party, subject to our written approval, and subject to all of the provisions of this Section 9. Such disposition of this Agreement and the Consignment Sale Business, or such interest in you (including, without limitation, Transfer by bequest or inheritance), will be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and will be subject to all the terms and conditions applicable to Transfers contained in this Section 9. Failure to so Transfer the interest in this Agreement and/or the Consignment Sale Business, or such interest in you, within said period of time will constitute a breach of this Agreement. A person shall be deemed to have a "permanent disability" if his or her personal, active participation in management of the Consignment Sale Business is for any reason curtailed for a continuous period of six (6) months.

9.4 Changes of Ownership Not Considered to be "Transfers." As used in this Agreement, the term "Transfer," for purposes of determining if a Transfer Fee is required, does not mean an assignment to:

- (a) Any trustee, guardian, or conservator for the account and benefit of a spouse, ancestor, or descendent; or,
- (b) Any business entity if the beneficial ownership of the business entity immediately following the assignment is the same and in the same proportions as your beneficial ownership immediately prior to the assignment. However, no such assignment will relieve the original party of any of its obligations under this Agreement. Information on the identity of the shareholders, officers, and directors of the corporation (or members, member-managers, officers, and directors if a limited liability company), the percentage of ownership, and the address where corporate records are maintained must be submitted to us within ten (10) days after such assignment. You must also submit to us, within ten (10) days after the assignment, a written affidavit acknowledging and declaring that the beneficial ownership of the business entity immediately following the assignment is the same and in the same proportions as your beneficial ownership immediately prior to the assignment.

SECTION 10

TERMINATION

10.1 Grounds for Termination. In addition to the grounds for termination that may be stated elsewhere in this Agreement, we may, in our sole discretion, terminate this Agreement, and the rights granted by this Agreement, immediately upon written notice to you without an opportunity to cure upon the occurrence of any of the following events:

- (a) Except as otherwise required by the United States Bankruptcy Code, you become insolvent, are adjudicated as bankrupt, or file or have filed against you a petition in bankruptcy, reorganization, or similar proceeding;
- (b) There is a material breach by you of any obligation under Sections 4, 6, 7 and 8 of this Agreement,

including without limitation the unauthorized disclosure of Confidential Information or other proprietary information, improper use of the Marks, use and/or sale of Products not approved by us, and/or use of advertising materials not approved by us;

(c) There is a breach of any Nondisclosure Agreement(s) by you and/or any employee(s) or Principal of Franchisee;

(d) You fail to provide us a Nondisclosure Agreement executed by all employees and Principals, within ten (10) days after their date of hire;

(e) Any purported Transfer that occurs without you having obtained our prior written consent and otherwise complying with Section 9;

(f) We discover that you or any Principal of Franchisee made a material misrepresentation or omitted a material fact in the information that was furnished to us in connection with our decision to enter into this Agreement;

(g) You or any Principal of Franchisee knowingly falsifies any report required to be furnished to us or makes any material misrepresentation in your dealings with us;

(h) You or any Principal of Franchisee are convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude and/or which is, in our reasonable business judgment, relevant to the Consignment Sale Business, and/or any other crime or offense that is reasonably likely, in our reasonable business judgment, to adversely affect us, the System and/or the Franchise;

(i) You remain in default beyond the applicable cure period under any other agreement with us; and/or,

(j) You fail or refuse to comply with any other provision of this Agreement and do not correct the failure or refusal, if curable, within thirty (30) days (10 days for monetary defaults) after receiving written notice of default and an opportunity to cure; You will be in default under this Section 10 for any failure to materially comply with any of the requirements imposed by this Agreement, or to carry out the terms of this Agreement in good faith. If you have received two (2) or more notices of default pursuant to this Section 10.1 within the previous twelve (12) months, then upon your next default in such 12 month period, we shall be entitled to send you a notice of termination (and Termination shall thereby occur) without first providing you an opportunity to remedy that default.

10.2 Grounds for Termination by You. This Agreement cannot be terminated by you during the Term for any reason except our material breach of our obligations under this Agreement but in such case only after you provide the same notice and opportunity to cure as required by Section 12.

10.3 Termination Following Inspection. We have the right to conduct quality assessments of the Consignment Sale Business periodically to evaluate your compliance with the System and this Agreement. If you materially fail our quality assessment, we shall notify you in writing. If you fail two (2) consecutive quality assessments (the second of which shall be conducted at least thirty (30) days after your receipt of written notice of your failure to pass the prior quality assessment), we may terminate this Agreement, without opportunity to cure, by providing you written notice of termination.

10.4 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation and all notice periods described herein shall be inclusive of any state mandated minimum notice periods.

10.5 Extended Cure Period. Notwithstanding anything contained herein to the contrary, where we have the right to terminate this Agreement, we shall have the right, in the exercise of our reasonable business judgment, to grant to you an extended period of time to cure the breach which gave rise to our right to terminate. You acknowledge that our election to grant such an extended cure period shall not operate as a waiver of any of our rights hereunder.

10.6 Our Right to Discontinue Products/Services to You After Issuance of Notice of Default. If we issue a notice of default, we shall have the right, in addition to our other rights and remedies, to discontinue selling and/or providing to you any Retail Products, services, and/or information until you have cured all curable defaults.

SECTION 11

OBLIGATIONS ON TERMINATION OR EXPIRATION

11.1 Your Obligations to Us on Termination or Expiration. Upon termination or expiration of this Agreement:

- (a) Since your ownership of the Franchise is controlled by the provisions of this Agreement, you will have no equity or other continuing interest in the Consignment Sale Business, any goodwill associated with it or otherwise, or any right to compensation, return of amounts paid or otherwise;
- (b) You shall immediately pay us all sums due and owed us pursuant to this Agreement and/or pursuant to any other agreement between you and us, including any unpaid Sale Royalty Fee(s) or Missed Sale Fee(s);
- (c) You promptly shall return to us the Manual(s), any copies of the Manual(s), and all other materials and information, including all training materials and computer software and all Confidential Information, furnished by us;
- (d) You, each Principal of Franchisee, and all persons subject to the provisions contained in Section 7 of this Agreement shall continue to abide by those provisions and shall not, directly or indirectly, take any action that violates those provisions;
- (e) You immediately shall discontinue all use of the Marks, any confusingly similar marks, and/or any advertising, signs, stationery, or forms that bear identifying marks or colors that might give others the impression that you are operating a Consignment Sale Business, and shall discontinue offering to the public any and all Consignment Sales Events and/or Products that use or bear the Marks, and take such action(s) as may be necessary to cancel any filings or registrations for the Consignment Sale Business that contain any of the Marks;
- (f) In addition to the obligations under Section 7 and other provisions of this Agreement, you and each Principal of Franchisee shall not, except with respect to a business franchised by us which is then open and operating pursuant to an effective Franchise Agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or have any right to use the System or the Marks; (2) make use or avail yourself of any of the materials or information furnished or disclosed by us under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; and/or (3) assist anyone not franchised or licensed by us to use the Marks and/or the System, and/or to organize, establish, and/or operate a Consignment Sale Business; and,

(g) You shall remain bound by, and obligated to comply with, all provisions that by their terms extend beyond the termination or expiration of this Agreement.

(h) Early Termination Damages. In the event that the Franchise Agreement is terminated by you or terminated by Rhea Lana's with cause, both parties agree that it would be difficult to determine the amount of actual damages caused by the termination of this Agreement. Therefore, in the event of such a termination, you shall pay us damages in the amount of a Missed Sale Royalty for each Rhea Lana's Event which should occur during the period beginning on the termination date and continuing for the lesser of twenty-four months (24 months) or up to the expiration of the Franchise Agreement term.

SECTION 12

DISPUTE RESOLUTION

12.1 Venue and Governing Law for Judicial Actions. Except where restricted or prohibited by law, you and we agree that any judicial actions that you file shall be filed only in state or federal court located in Pulaski County, Arkansas, and that the laws of the State of Arkansas shall apply to any and all suits filed and the parties do hereby waive all questions or objections regarding personal jurisdiction or venue for the purpose of carrying out this provision and that Arkansas shall be the exclusive venue.

12.2 Prior Notice of Claims by You. Prior to you taking any legal or other action against us, whether for damages, injunctive, equitable or other relief (including but not limited to rescission) and whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense, offset or otherwise, you will first give us sixty (60) days prior written notice and opportunity to cure such alleged act or omission (or, if the alleged act or omission cannot reasonably be cured within that 60-day period, and we are diligently continuing efforts to attempt to cure such alleged act or omission, such additional time as reasonably necessary), provided that any dispute regarding our withholding consent with respect to a proposed Transfer by you may be immediately submitted to litigation as provided in Section 12.1.

12.3 Periods in which to Make Claims.

(a) No action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either we or you may be filed against the other, whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such, action or suit before the expiration of the earlier of: 1) one (1) year after the date on which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or, 2) one (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitations period than above described, whether on notice or otherwise, such shorter period will govern. The foregoing limitations may, where brought into effect by our failure to commence an action within the time periods specified, operate to exclude our right to sue for damages but will in no case, even on expiration or lapse of the periods specified or referenced above, operate to prevent us from: (1) terminating your rights and our obligations under this Agreement as provided herein and/or under applicable law nor prevent us from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination; or (2) obtaining and/or enforcing a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief (whether by an

arbitrator or a court) with respect to any operational non-compliance by you, irrespective of when such operational non-compliance occurred or came to our attention. In each case you agree that such relief is appropriate so that we can, among other things, protect the goodwill inherent in the Marks and the related investments by us and all other of our franchisees.

(b) The limitations set forth in this Section 12.3 will not apply to our claims arising from or related to: (1) indemnification by you; (2) any Nondisclosure Agreement or other exclusive relationship obligations; and/or (3) your unauthorized use of the Marks.

SECTION 13

GENERAL MATTERS

13.1 No Waiver. Our failure to exercise any power reserved to us, or our failure to insist upon compliance by you (or anyone else) with any obligation or condition in this Agreement, any other agreement, the Manual(s) or otherwise, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of our right to demand exact compliance with the terms of this Agreement, any other agreement, the Manual(s) or otherwise. Waiver by us of any of our rights in connection with any particular default by you (or anyone else) shall not affect or impair our rights with respect to any subsequent or other default of the same or a different nature, nor shall any delay, forbearance or omission by us to exercise any power or rights arising out of any breach or default by you (or anyone else) of any of the terms, provisions or covenants of this Agreement, any other agreement, the Manual(s) or otherwise, affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or the right to declare any subsequent breach or default. Acceptance by us of any payments due to us, and/or our failure to insist on compliance with any required signing and/or payment date, shall not be deemed to be a waiver by us of that, or any preceding or other, breach by you of any terms, covenants or conditions of this Agreement or otherwise. Our failure to give notice of default or to pursue any remedy for a breach of this or any other agreement shall not affect our right to give notice of termination upon subsequent defaults or to pursue any remedy upon subsequent similar or other breaches, under this or any other agreement.

13.2 Consents. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us, and any approval or consent received, in order to be effective and binding upon us, must be obtained in writing and be signed by one of our authorized officers. We make no warranties or guarantees upon which you may rely by providing any waiver, approval, consent or suggestion to you in connection with this Agreement, and we assume no liability or obligation to you in that regard, or by reason of any neglect, delay, or denial of any request therefore. We shall not, by virtue of any approvals, advice or services provided to you, assume responsibility or liability to you or to any third parties to which we would not otherwise be subject.

13.3 Relationship of the Parties. The relationship between us and you is that of franchisor and franchisee only; the parties have dealt with each other at arm's length and as businesspersons with equivalent bargaining power, and no other relationship is intended or created hereby. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. Franchisor shall not direct or control your employees with the means and manner of their daily work performance. As Franchisee, you retain sole responsibility for the employment aspects of your operation, including recruiting, hiring, scheduling, work assignment, compensation, supervision, performance evaluation, promotion, transfer, discipline and discharge. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or

other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action, or by reason of any act or omission of Franchisee in its conduct of the licensed business or any claim or judgment arising therefrom against Franchisor.

13.4 Taxes. We shall have no liability for any sales, VAT, GST, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied on you, the Consignment Sale Business or your assets or property, or on us, in connection with the sales made and/or business conducted by you (except for any taxes we are required by law to collect from you with respect to purchases from us.) Payment of all taxes will be your sole responsibility.

13.5 Indemnification. You shall be the only one responsible for any damage, loss or other claims arising out of, or related in any way to, any of your acts, errors or omissions, whether related to you, your employees, agents or representatives, your operations or ownership of the Consignment Sale Business or otherwise. You shall indemnify and hold harmless us, our parent company and our officers, directors and employees from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorneys' fees and related expenses) and/or any other expense, obligation and/or liability of any kind or nature (including, but not limited to, claims of negligence), however arising, growing out of or otherwise connected with and/or related to any act, error and/or omission of yours (including, but not limited to, your ownership and/or operation of the Consignment Sale Business, any act or omission of your employees, managers and/or other authorized agents, and/or any Transfer of any interest in this Agreement, the Consignment Sale Business, you or otherwise.)

13.6 Disclaimer of Warranties. With respect to anything (Products, Designated Supplies, or otherwise) provided and/or approved by us, other than specific written warranties expressly provided by us in connection with such items, SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED, NOR DO THERE EXIST ANY EXPRESS OR IMPLIED WARRANTIES ON THE PART OF US AS TO THE DESIGN, CONDITION, CAPACITY, PERFORMANCE OR ANY OTHER ASPECT OF SUCH ITEMS OR THEIR MATERIAL OR WORKMANSHIP.

13.7 Disclosure. We may, in the exercise of our reasonable business judgment, disclose, whether in offering circulars or otherwise, any information relating to your ownership and operation of the Consignment Sale Business, including (but not limited to) your name, any address and/or phone number, revenues, expenses, results of operations or other information but, wherever practicable and legal, we will make no public disclosures of revenues specific to the Consignment Sale Business such that a recipient will be able to match such Territory-specific revenues with your ownership of the Consignment Sale Business.

13.8 Survival, Construction, and Severability.

(a) Each provision of Section 11 will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, Termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, and will survive and will govern any claim for rescission or otherwise. Your nondisclosure, noncompetition and non-solicitation obligations as set forth in Section 7 of this Agreement, the Nondisclosure Agreement(s) and elsewhere also shall survive the Termination of this Agreement according to their terms, and your indemnity obligation as set forth in this Agreement or elsewhere also shall forever survive the expiration and/or termination of this Agreement. To the maximum extent permitted by law, you waive the effect of any statute of limitations, which would, by lapse of time, limit your duties to observe such obligations and/or so defend and/or indemnify.

(b) Each provision of this Agreement will be construed as independent of, and severable from, every other provision, and if any provision of this Agreement is deemed to be invalid or unenforceable for any

13.13 Construction of Contract. Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained in any section of this Agreement. Each word in this Agreement may be considered to include any number or gender that the context requires. If there is any conflict between this Agreement and the Manual(s), whichever gives us the greatest rights and/or benefits shall control.

13.14 Amendments. This Agreement may be amended or modified only by a document signed by all of the parties to this Agreement or by their authorized agents.

13.15 Injunctive Remedy for Breach. You recognize that you are a member of a franchise and that your acts and omissions may have a positive or negative effect on the success of other businesses operating under, and in association with, our Marks and/or System. Failure on the part of a single franchisee to comply with the terms of our Franchise Agreement is likely to cause irreparable damage to us and to some or all of our other franchisees. For this reason, if there is a substantial likelihood of your breach or threatened breach of any of the terms of this Agreement, you hereby consent and stipulate to entry of a temporary restraining order, injunction, and/or other equitable relief that may be granted until a final determination is made by the court. You further agree no bond or security shall be required in obtaining such equitable relief. This provision shall in no way restrict or prevent us from seeking any other legal and/or equitable remedies which may be available.

13.16 Attorney Fees and Costs. If either party is required to enforce this Agreement, or collect upon any judgment, decree, or order entered, in a judicial, arbitration, and/or other proceeding, including any appeal, the prevailing party will be entitled to recover costs and expenses, including, but not limited to, reasonable attorneys' fees.

13.17 Approval and Guaranties. If you are a corporation, all officers and shareholders with a five percent (5%) or greater interest in you, or, if you are a partnership, all your general partners, must approve this Agreement, permit you to furnish the financial information required by us, and agree to the restrictions placed on them, including restrictions on the transferability of their interests in the Consignment Sale Business and limitations on their rights to compete. In addition all such individuals and other Principals of Franchisee will be jointly and severally liable for the performance of this Agreement.

13.18 Severability. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect any other provision which can be given effect without the invalid provision or application, and to this end the provisions hereof shall be severable.

13.19 Force Majeure. Neither party shall be deemed in default of this Agreement to the extent that performance of its obligations or attempts to cure any breach are delayed, restricted or prevented by reason of any act of God, fire, natural disaster, act of government, strikes or labor disputes, inability to provide raw materials, power or supplies, or any other act or condition beyond the reasonable control of the party, provided that such party gives the other party written notice thereof promptly and uses its best efforts to cure the delay. In the event that any act of force majeure prevents either party from carrying out its obligations under this Agreement for a period of more than ten (10) days, the other party may terminate this Agreement without liability upon ten (10) days written notice.

SECTION 14

ACKNOWLEDGEMENTS

14.1 Independent Investigation. You acknowledge that you have conducted an independent investigation of all aspects relating to the Consignment Sale Business. You acknowledge that you have received, read and understand this Agreement, the attachments hereto and agreements relating thereto, and that we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

14.2 Compliance with Applicable Laws. You acknowledge, by your signature hereto, that you received from us a Franchise Disclosure Document for the State in which the Consignment Sale Business will be located, or your place of residence, as appropriate, at least ten (10) business days (14 calendar days in Illinois) prior to the execution of this Agreement.

14.3 Receipt of Agreement. You acknowledge that you received from us this Agreement with all blanks filled in at least five (5) business days prior to the execution of this Agreement. You represent that you have read this Agreement in its entirety and that you 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 further represent that you understand the terms, conditions and obligations of this Agreement and agree to be bound thereby.

14.4 Effectiveness of Agreement. The delivery of an unexecuted copy of this Agreement and any accompanying Franchise Disclosure Document to a potential franchisee shall not in any way whatsoever be deemed to be an offer to enter into a Franchise Agreement which potential franchisee may accept by the execution of such copy. No offer has been made, and no agreement is binding until we have delivered a fully executed copy of this Agreement to Franchisee.

14.5 No Material Changes in Information Provided. By signing this Agreement, you warrant and represent that there have been no material or adverse changes in the facts or representations made by you in the Franchise Application.

14.6 Acknowledgment. You acknowledge and accept the following:

YOUR SUCCESS IN OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, YOUR INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE CONSIGNMENT SALE BUSINESS RESTS SOLELY WITH YOU. YOU HAVE NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY US TO INDUCE YOU TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. WE HAVE NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO YOU AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER YOUR BUSINESS. YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATION MADE BY US, OR OUR REPRESENTATIVES, OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS

CONTAINED HEREIN.

[Please initial to acknowledge that you have read and understand this Section 14.6]:

IN WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the date and year first above written.

FRANCHISOR

RHEA LANA'S FRANCHISE SYSTEMS, INC.

By: Rhea Lana Riner, President

FRANCHISEE

By: _____

Notice Address:

SCHEDULE A

MARKS

Rhea Lana's



SCHEDULE B

FRANCHISEE'S EXCLUSIVE TERRITORY

The Franchisee's Exclusive Territory, as defined by the attached Franchise Agreement, is generally described to contain all or part of the following zip codes, as they existed on the Effective Date of the Franchise Agreement:

_____, _____, _____,
_____, _____, _____

In addition to this general description, a map has been attached to this Schedule B to the Franchise Agreement, which shows the specific boundaries of the Territory and which has been initialed by Franchisee and Franchisor. Any discrepancy between the map and the zip codes described above shall be resolved in favor of the map, which is the controlling description.

SCHEDULE C

OTHER FEES AND SERVICES

Franchise Fee for Additional Territory – \$19,000

If Franchisee is in good standing and would like to purchase an additional franchise territory, the cost will be discounted as provided herein. The Initial Franchise Fee for the additional territory must be paid upfront and is non-refundable. All other fee structures remain the same as the original Territory.

Optional On-site Consultation

If franchisee requests special assistance during its event, a member of Rhea Lana's Franchise Support Team can be engaged at the rate of \$500 per day plus travel expenses, including but not limited to lodging and meals. Fee must be paid prior to arrival.

Successful Territory Premium– \$4,500

If Franchisee decides to open a fourth sale event in the same calendar year as three prior sale events in the Territory, a one-time Successful Territory Premium must be paid at the commencement of the fourth event in the Territory during the same year.

GENERAL RELEASE UPON RENEWAL

For Rhea Lana's Franchise Systems, Inc. granted to: _____ pursuant to the Franchise Agreement dated _____, 20____.

The undersigned Franchisee, for itself and its owners, managers, representatives, successors and assigns, hereby releases, waives, settles and discharges all claims, actions, causes of action, rights, obligations, debts, duties, demands, damages and liabilities of every kind of Rhea Lana's Franchise Systems, Inc [Franchisor].

This release was entered into with full knowledge of legal purposes, intents and effects of the parties and was entered into voluntarily without any promise or threat of any kind and does not constitute an admission of wrongdoing of any kind, character and description by any party.

Franchisee Signature

Franchisor Signature

Franchisee Printed Name

Franchisor Printed Name

Date

Date

GENERAL RELEASE UPON TRANSFER

For Rhea Lana's Franchise Systems, Inc. granted to: _____ pursuant to the Franchise Agreement dated _____, 20____.

The undersigned Franchisee, for itself and its owners, managers, representatives, successors and assigns, hereby releases, waives, settles and discharges all claims, actions, causes of action, rights, obligations, debts, duties, demands, damages and liabilities of every kind of Rhea Lana's Franchise Systems, Inc [Franchisor].

This release was entered into with full knowledge of legal purposes, intents and effects of the parties and was entered into voluntarily without any promise or threat of any kind and does not constitute an admission of wrongdoing of any kind, character and description by any party.

Franchisee Signature

Franchisor Signature

Franchisee Printed Name

Franchisor Printed Name

Date

Date

ASSIGNMENT UPON TERMINATION

This Assignment ("Assignment") is entered into _____, 20__ by and between RHEA LANA'S
FRANCHISE SYSTEMS, INC. ("RHEA LANA'S") and
_____("Franchisee").

Pursuant to the Franchise Agreement, Rhea Lana's has given Franchisee notice of termination, transfer, or nonrenewal of the Franchise Agreement; the parties agree as follows:

Franchisee hereby assigns, transfers, conveys and delivers to Rhea Lana's all of Franchisee's rights, titles and interests in all telephone numbers, email addresses, online or social media accounts and platforms associated with the Franchised Business or the Marks, and mailing addresses used by Franchisee in the operation of Franchisee's Rhea Lana's Consignment Sales Business and all data relating to all past, present and prospective consignors and/or customers of Franchisee.

Franchisee Signature

Print Name

Date: _____

Franchisee Signature

Print Name

Date: _____

Franchisor Signature

Print Name

Date: _____

FRANCHISEE ENTITY AGREEMENTS

Entity Name: _____

State of Registration: _____

Managing Owner: _____

(This will be the one (1) designated individual who will communicate with Rhea Lana's and is authorized by all entity partners to relay decisions on the franchise to Rhea Lana's.

Owner Name: _____

Ownership Percentage: _____

Will you be involved in operational decisions for the company? _____

Owner Name: _____

Ownership Percentage: _____

Will you be involved in operational decisions for the company? _____

Owner Name: _____

Ownership Percentage: _____

Will you be involved in operational decisions for the company? _____

Owner Name: _____

Ownership Percentage: _____

Will you be involved in operational decisions for the company? _____

EXHIBIT E

NONDISCLOSURE, NONCOMPETITION AND NON-SOLICITATION AGREEMENT

(to be signed by franchisees and any manager, consignor, employee or other worker meeting requirements specified in Article 7 of the Franchise Agreement)

This Nondisclosure, Noncompetition, and Non-solicitation Agreement (the "Agreement") is made as of _____, 20____, (the "Effective Date"), by and among Rhea Lana's Franchise Systems, Inc. ("Franchisor"), and _____ ("Franchisee", or if a Manager, Consignor, or Employee, known as "Consignment Worker" as the case may be).

RECITALS

WHEREAS, Franchisor has developed and continues to develop a program for establishing, advertising and operating periodic, non-continuous consignment sales of children's clothing and related items, including the development of certain proprietary business information (the "System");

WHEREAS Franchisor has licensed and/or franchised the right to use the System and related trademarks, trade names, and logos (collectively, the "Marks") to certain individuals and/or business entities, including the Franchisee, in specified territories throughout the United States;

WHEREAS, implementation and development of the System involves the use of certain Confidential Information owned and/or developed by Franchisor;

WHEREAS, Franchisor has provided Franchisee and Consignment Worker with the Confidential Information for Franchisee or Consignment Worker to use, in a specified territory, in implementing the System;

WHEREAS, Franchisee and Consignment Worker occupy a position of trust and confidence with Franchisor and has been and will continue to be furnished with Confidential Information regarding implementation, further development, and/or modification of the System;

WHEREAS, Franchisee and Consignment Worker acknowledge that it is necessary to prevent the unauthorized use and/or disclosure of the Confidential Information, and to place fair and reasonable

restrictions on Franchisee's ability to compete with Franchisor, and/or to solicit its employees or customers, in order to protect and preserve the value of Franchisor, the Marks, and/or the System;

WHEREAS, Franchisee and Consignment Worker further recognize it is only through the protection of the Confidential Information that Franchisor is able to operate and/or maintain a business advantage over its competitors and acknowledge that unauthorized divulgence or use of any of the Confidential Information would cause irreparable injury to Franchisor;

WHEREAS, Franchisee and Consignment Worker acknowledge that divulgence or use of any of the Confidential Information beyond what is necessary to provide its services and/or products to the franchise would cause irreparable injury to Franchisor, the Marks, and/or the System.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee or Consignment Worker hereto agrees as follows:

ARTICLE I – NONDISCLOSURE OF CONFIDENTIAL INFORMATION

1.1 Nondisclosure of Confidential Information. From and after the Effective Date, Franchisee or Consignment Worker (as applicable) agrees:

- (a) to hold the Confidential Information in strict confidence and not use, sell, reveal, divulge, publish, furnish, communicate, or permit the use sale, revealing, divulgence, publication, furnishing or communication of, either directly or indirectly, by any means or devices whatsoever, and whether or not embodied in writing or other physical form or retained in the memory of Franchisee or Consignment Worker, any Confidential Information by any other person, firm, corporation, or entity, except to the extent (and only to the extent) necessary in connection with implementation of the System by the franchise, and/or as authorized by Franchisor in writing;
- (b) to exercise the highest degree of diligence in preventing the unauthorized disclosure, use, possession, or knowledge of any Confidential Information, including without limitation the protection of documents and/or other tangible items from theft, and/or the protection against unauthorized duplication and discovery of Confidential Information;
- (c) not to make any copies, synopses or summaries of oral or written material, photographs, or any other documentation or information made available or supplied by Franchisee to Franchisee or Consignment Worker except to the extent (and only to the extent) necessary in connection with implementation of the System under the franchise; and,
- (d) not to use any Confidential Information for any purpose other than in connection with implementation of the System by the franchise.

1.2 Nonexhaustive Definition of Confidential Information. Franchisee or Consignment Worker agrees that “Confidential Information” shall include without limitation any and all knowledge, know-how, techniques, processes, strategies, information, computer data, computer programs, passwords, data bases, design concepts, training materials, manuals, drawings, methods, devices, formulas, materials, trade secrets, ideas, diagrams, flow charts, research projects, business plans, pricing information, internal business forms, any information relating to other franchisees of Franchisor, marketing plans, advertising information, instructional materials, supplier lists, plans, proposals, financial information, methods of doing business, information about competitors, and/or any other matters not generally known outside the franchise, which relates to, involves, and/or is associated in any way with the implementation, further development, or modification of the System or Marks.

1.3 Definition of System. Franchisee or Consignment Worker agrees that, in addition to the meaning set forth in the Recitals hereto, “System” shall mean the distinctive format and method of doing business now or in the future developed, used and/or modified by Franchisor for the operation of a business offering periodic non-continuous consignment sales of children’s clothing and related items, including but not limited to: (a) specific methods, procedures, guidelines, and/or programs developed by Franchisor and/or Franchisee, and used for conducting said sales; (b) operating, marketing, training and other systems, procedures and standards; and, (c) the standards of quality and service used in the operation of Franchisor’s business.

1.4 No Rights in Confidential Information. Neither this Agreement nor the disclosure of any Confidential Information shall be deemed, by implication or otherwise, to vest in Franchisee or Consignment Worker any rights in the Confidential Information, the System, the Marks, or any other trade secrets, assets or property whatsoever of the Franchisor.

ARTICLE II – INJUNCTIVE RELIEF; UNAUTHORIZED ACCESS

2.1 Injunctive Relief. Franchisee and Consignment Worker understand and agree that Franchisor, the Marks, and/or the System will suffer irreparable injury that cannot be precisely measured in monetary damages if Confidential Information is obtained and/or used by, directly or indirectly, any person, firm, corporation, or other entity, in violation of this Agreement. Accordingly, Franchisee or Consignment Worker agrees that it is reasonable, and necessary for the protection of the business and goodwill of Franchisor, the Marks, and/or the System for Franchisee to enter into this Agreement, and if there is a breach of this Agreement by Franchisee or Consignment Worker, they consent and hereby stipulate to entry of a temporary restraining order or other injunctive relief that may be granted by a court having proper jurisdiction. Franchisee or Consignment Worker agrees that no bond or security shall be required in obtaining such equitable relief. This provision shall in no way restrict or prevent Franchisor from seeking any other legal and/or equitable remedies available to it.

2.2 Unauthorized Access or Possession. If, at any time, Franchisee or Consignment Worker becomes aware of any unauthorized access to, or use, possession or knowledge of, any Confidential Information, they shall immediately notify Franchisor of such. In the event Franchisee or Consignment

Worker has, directly or indirectly, disclosed, published, or made available to third parties any Confidential Information, except as authorized by this Agreement and/or Franchisor in writing, they further agree to provide any and all reasonable assistance to Franchisor to protect the confidentiality of such Confidential Information. Franchisee or Consignment Worker also agree to take all reasonable steps requested by Franchisor to prevent the recurrence of such unauthorized access, use, possession, or knowledge.

2.3 Return of Confidential Information. Upon termination or expiration of the franchise agreement between Franchisor and Franchisee, or upon the cancellation or termination of employment or contractor status of Consignment Worker, and/or upon request by Franchisor, Franchisee or Consignment Worker shall, within five (5) calendar days, return any and all Confidential Information in its possession, custody, or control, including but not limited to, any and all written material, photographs, and other tangible items and documentation made available or supplied by the Franchisor.

ARTICLE III – NONCOMPETITION AND NON-SOLICITATION

3.1 Noncompetition and non-solicitation by Franchisee. If this Agreement pertains to a Franchisee then, this Article 3.1 shall be effective beginning on the Effective Date and ending twenty-four (24) months after the date of Termination or expiration of the franchise agreement between Franchisee and Franchisor. If this Agreement pertains to an employee who is not a franchisee, then this Article 3 shall be effective beginning on the Effective Date and ending twelve (12) months after the date of termination of employment or contractor status, the following terms apply:

- (a) Franchisee or Consignment Worker will not, directly or indirectly, engage or invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, associated with or in any manner connected with, or render services or advice or other aid to, or guarantee any obligation of, any person or entity, engaged in or planning to become engaged in a business whose products or activities compete in whole or in part with the franchised business of Franchisor, as of the Effective Date. For the duration of the franchise agreement (in the case of a Franchisee) or the employment or contractor relationship (in the case of a Consignment Worker) between the parties, there is no geographical limitation on this restriction. Following the expiration or termination of the franchise agreement (in the case of a Franchisee) or the employment or contractor relationship (in the case of a Consignment Worker), this restriction shall apply within fifty (50) miles of the boundary of the territory in which Franchisee had operated its business, or where Consignment Worker worked for Franchisee and/or within fifty (50) miles (or, in the case of California, ten (10) miles) of the boundary of any other territory throughout the United States in which Franchisor has licensed and/or franchised the use of its System. Because of the confidential and sensitive nature of the Confidential Information and because the use of the Confidential Information in certain circumstances may cause irrevocable damage to Franchisor, the Marks, and/or the System, Franchisee or Consignment Worker agrees that this covenant is fair and reasonable with respect to its duration, activity, and territory.

- (b) Franchisee or Consignment Worker agrees not to, directly or indirectly, (i) induce or attempt to induce any employee of Franchisor, any other franchisee or licensee of Franchisor using the System, and/or any employee of such franchisee(s) or licensee(s) to leave their employ; (ii) in any way interfere with the relationship between Franchisor and any of its other franchisees, and any such employee of Franchisor and/or other franchisee(s); (iii) employ or otherwise engage as an employee, independent contractor, or otherwise any such employee of Franchisor and/or other franchisee(s); (iv) induce or attempt to induce any customer, client, vendor, licensee, franchisee or other person or business entity to cease doing business with Franchisor or in any way interfere with the relationship between any such customer, client, supplier, licensee, franchisee, or other person or business entity and Franchisor; and/or, (v) induce or attempt to induce any current or future franchisee(s) to divest themselves of their ownership interest in other franchisee(s), to cease doing business with Franchisor and/or other franchisee(s), to leave the employ of Franchisor and/or other franchisee(s), to terminate their affiliation with Franchisor and/or other franchisee(s) as a manager, director, officer, representative, or agent of Franchisor and/or other franchisee(s), and/or in any way interfere with the relationship between Franchisor and/or other franchisee(s) and any such current or future member of Franchisor and/or other franchisee(s).
- (c) Franchisee or Consignment Worker agrees not to, directly or indirectly, solicit the business of any person known to Franchisee or Consignment Worker to be a customer of Franchisor and/or any other franchisee(s), whether or not Franchisee or Consignment Worker had personal contact with such person, with respect to products or activities which compete in whole or in part with the business operated by Franchisor and/or any other franchisee(s).

ARTICLE IV – GENERAL PROVISIONS

4.1 Governing Law. This Agreement, and any amendments or modifications hereto, shall be governed by, and construed in accordance with, the laws of the State of Arkansas without regard to any conflict of laws provision.

4.2 Venue. Franchisee or Consignment Worker irrevocably submits to the jurisdiction of the state and federal courts located in Pulaski County, Arkansas to resolve any claim, controversy or dispute arising out of or relating to this Agreement, or the performance thereof.

4.3 Waiver. The failure of Franchisor to require the performance by Franchisee of any provision of this Agreement shall in no way affect the rights of Franchisor to enforce the same in the future, nor shall the waiver by Franchisor of any breach, violation, or threatened breach or violation of any provision of this Agreement be construed as a waiver of any subsequent breach, violation, or threatened breach or violation of the Agreement by Franchisee or Consignment Worker. The waiver of a breach of any term or condition of this Agreement will not constitute the waiver of any other breach of the same or any other term.

4.4 Severability. In the event any provision of this Agreement is found by any court to be partially or wholly invalid or unenforceable, the remainder of the Agreement nevertheless shall be enforceable and binding, and the invalid or unenforceable provision shall be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or, if such provision cannot under any circumstances be so modified or restricted, it shall be excised from the Agreement without affecting the validity or enforceability of any remaining provisions. The parties agree that any such modification, restriction or excision may be accomplished by their mutual written agreement, or alternatively, by disposition by the court, if applicable.

4.5 Remedies. All rights and remedies of Franchisor, in law or in equity, are cumulative, and may be exercised concurrently or separately. The exercise of one remedy will not be an election of that remedy to the exclusion of other remedies.

4.6 Headings; Construction. The headings of the various articles and sections of this Agreement are for convenience and reference only, and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

4.7 Attorney's Fees. Franchisee or Consignment Worker agrees that in the event of the breach, violation, or threatened breach or violation of one or more of Franchisee's covenants, duties, or obligations under this Agreement, Franchisee or Consignment Worker shall be liable to Franchisor for the reasonable attorneys' fees and costs incurred by Franchisor in: (a) enforcing its rights hereunder, and (b) enforcing and/or collecting upon any judgment, decree, or order entered in favor of Franchisor and against Franchisee or Consignment Worker, and for such other relief as may be awarded.

4.8 Assignment. This Agreement shall be binding upon Franchisee and its successors and assigns, or Consignment Worker, individually. The rights and obligations of Franchisee or Consignment Worker to this Agreement shall not be assigned without the express written consent of Franchisor.

4.9 Entire Agreement. This Agreement sets forth the entire understanding of the parties as to the subject matter hereof and supersedes any prior agreements, discussions, and correspondence pertaining to the subject matter hereof. This Agreement may not be amended or modified except by written document signed by Franchisor.

4.10 Voluntary Execution. Franchisee or Consignment Worker warrants, represents and declares it has carefully read this Agreement, knows and understands the contents hereof and agrees to be bound by the terms of this Agreement. In addition, Franchisee or Consignment Worker agrees that it has signed the Agreement freely and voluntarily.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date below written.

Date

Signature of Franchisee or Consignment Worker

Date

Signature of Franchisor

Event Launch Agreement

I, _____, do hereby certify to Rhea Lana's Franchise Systems, Inc. the following:

I understand and ensure that my Rhea Lana's Consignment Sales Business and each Rhea Lana Event operate in accordance with all laws, rules, and regulations.

All individuals who have a twenty-five percent (25%) or more interest in the franchise or have operational control of the events have completed the Rhea Lana's initial training program.

I am satisfied with my initial training, and I understand the legal requirements of operating a Rhea Lana's Consignment Sales Business in my Territory.

I will use my best efforts to operate my Rhea Lana's Consignment Sales Business in accordance with all Rhea Lana's operating requirements and all laws, rules, and regulations.

Franchisee Signature

Date

EXHIBIT E

TABLE OF CONTENTS FOR OPERATING MANUAL

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EXHIBIT G
to
RHEA LANA'S FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA TO THE
DISCLOSURE DOCUMENT

California Addenda

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

SEE NASAA STATEMENT OF POLICY REGARDING THE USE OF FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGEMENTS.

<https://www.nasaa.org/wp-content/uploads/2022/11/sop-franchise-questionnaires.pdf>.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

HAWAII DISCLOSURE NOTICE

THIS FRANCHISE WILL BE OR HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT, THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

Illinois law governs the agreement(s) between the parties to this franchise.

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

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

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 law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

EXHIBIT H

FINANCIAL STATEMENTS

(see attached)

Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.

Combined Financial Statements

With Auditors' Report

December 31, 2023 and 2022

Stan Parks, CPA

Certified Public Accountants and Consultants
Little Rock, Arkansas

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

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Stan Parks, CPA

(A Sole-Proprietorship)

Certified Public Accountants and Consultants

Little Rock, Arkansas

Stan Parks, CPA, Owner

Member
American Institute of CPA's
Arkansas Society of CPA's

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.
Conway, Arkansas

Opinion

We have audited the combined financial statements of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Board of Directors
Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.
Conway, Arkansas

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc.'s ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or other override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing the audit procedures in accordance with GAAS we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc.'s ability to continue as going concern for a reasonable period of time.

Board of Directors
Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.
Conway, Arkansas

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

Stan Parks, CPA,

Little Rock, Arkansas
March 14, 2024

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

COMBINED BALANCE SHEETS
DECEMBER 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash on deposit	\$ 193,802	\$ 433,691
Accounts receivable	75,854	35,352
Inventory	43,010	5,329
Event deposits	23,522	4,567
Total Current Assets	336,188	478,939
Property and Equipment		
Equipment	123,235	109,314
Furniture and fixtures	169,116	149,879
	292,351	259,193
Accumulated depreciation	(163,537)	(121,710)
	128,814	137,483
Other Assets		
Due from affiliate	-	-
	\$ 465,002	\$ 616,422
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities		
Accounts and credit card payable	\$ 44,368	\$ 17,625
Event vendor deposits	18,074	-
Accrued expenses	1,718	5,626
Total Current Liabilities	64,160	23,251
Long-Term Liabilities		
Notes payable - long term	-	-
Stockholders' Equity		
Common stock - 600 shares, \$1 par value authorized; 600 shares issues and outstanding	600	600
Retained Earnings	400,242	592,571
	400,842	593,171
	\$ 465,002	\$ 616,422

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA'S, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.
COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Sales	\$ 3,981,169	\$ 4,061,495
Cost of Sales and Services		
Consignor percentage	1,395,686	1,689,123
Franchise support services	8,498	35,339
Contract labor	20,618	22,604
Product purchases	247,638	167,889
Computer and internet support	97,356	64,776
Event venue, equipment and supplies	163,884	176,965
Other cost	4,363	3,210
	<u>1,938,043</u>	<u>2,159,906</u>
Gross Profit	<u>2,043,126</u>	<u>1,901,589</u>
Operating Expenses		
Advertising and promotion	77,551	84,331
Bank charges	930	868
Conference and meeting expense	21,416	15,463
Depreciation	41,827	36,357
Due and subscriptions	41,270	1,218
Insurance	6,653	4,204
License and fees	20,414	32,070
Office expense	22,767	12,169
Postage and shipping	14,698	8,433
Professional fees	35,156	18,352
Rent	31,875	71,502
Repairs and maintenance	12,540	11,745
Salaries, wages and benefits	1,215,954	1,001,080
Taxes - payroll	83,424	80,624
Taxes - state and county	1,868	1,388
Telephone and utilities	16,929	17,841
Travel and meal expense	88,478	50,323
Other expenses	6,747	11,596
	<u>1,740,497</u>	<u>1,459,564</u>
Income from Operations	<u>302,629</u>	<u>442,025</u>
Other Income and Expense		
Other income	449	50
Interest income	215	146
Interest expense	(2,226)	-
	<u>(1,562)</u>	<u>196</u>
Net Income	<u>\$ 301,067</u>	<u>\$ 442,221</u>

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.
COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022

Common Stock	\$ 600
Retained Earnings - December 31, 2021	\$ 603,750
Net Income (Page 5)	442,221
(Distributions to) / Contributions from - stockholders	(453,400)
Retained Earnings - December 31, 2022	\$ 592,571
Net Income (Page 5)	301,067
(Distributions to) / Contributions from - stockholders	(493,396)
Retained Earnings - December 31, 2023	\$ 400,242

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operations		
Net income (Page 5)	\$ 301,067	\$ 442,221
Adjustments to reconcile net income to net cash provided by (applied to) operating activities:		
Depreciation	41,827	36,357
Loss on asset disposal	-	-
(Increase) decrease in accounts receivable	(40,501)	(29,837)
(Increase) decrease in other assets	(56,637)	12,701
Increase (decrease) in accounts payable	22,105	(9,358)
Increase (decrease) in other current liabilities	18,804	(1,426)
Net Cash Provided by Operating Activities	<u>286,665</u>	<u>450,658</u>
 Cash Flows from Investing Activities		
Purchase of property and equipment	(33,158)	(34,037)
Basis of assets disposed	-	-
Net Cash Applied to Investing Activities	<u>(33,158)</u>	<u>(34,037)</u>
 Cash Flows from Financing Activities		
Distributions to - stockholders	(493,396)	(453,400)
Net Cash Applied to Financing Activities	<u>(493,396)</u>	<u>(453,400)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(239,889)	(36,779)
Cash and Cash Equivalents, Beginning of Year	<u>433,691</u>	<u>470,470</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 193,802</u>	<u>\$ 433,691</u>
 Cash Paid for:		
Interest expense	<u>\$ (2,226)</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE 1 - Summary of Significant Accounting Policies

Company History

Rhea Lana, Inc. was incorporated under the laws of the State of Arkansas in 2008. The Company's primary business is to engage in consignment sale of children's clothing. Its primary area of operation is in Arkansas and the surrounding states. Rhea Lana's Franchise Systems, Inc. was incorporated under the laws of the State of Arkansas in 2011. This Company's primary activity is to collect fees from the authorized use of its consignment software used by franchisees across the United States. It also provides consulting services to consignment businesses. Both Companies are under identical management and ownership.

Basis of Combination

The accompanying combined financial statements include the combined accounts of Rhea Lana, Inc and Rhea Lana's Franchise Systems, Inc. Any intercompany activity has been eliminated if, and as required. The individual Companies share common facilities and personnel. As noted above, both Companies are under identical management and ownership.

Basis of Accounting

The Companies policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Inventory

Inventory of marketing materials is recorded at the net realizable value and where applicable disposal cost and obsolesce has been accounted for in values used as December 31, 2023 and 2022.

Allowance for Uncollectable Receivables

The Companies use the direct write off method for uncollectable accounts receivable. Accounting principles generally accepted in the United States of America recommend using an allowance for doubtful accounts method. Due to managements close review of day-to-day operations and the Companies past credit history with its customers, the use of the direct write off method is not deemed a material departure from these generally accepted accounting principles.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE 1 - Summary of Significant Accounting Policies – (Continued)

Advertising

The Companies policy is to expense the cost of advertising and promotion activities as incurred. The advertising expense for the year ended December 31, 2023 and 2022, was \$77,551 and \$84,331 respectively.

Property, Equipment and Depreciation

The Companies record property and equipment at the cost of acquisition or construction less accumulated depreciation. Depreciation is recorded using the straight-line methods for book purposes, and the applicable accelerated methods for income tax purposes over the estimated useful life of the asset class ranging from 3 to 31 years. Expenditures that substantially improve and /or increase the useful life of facilities and equipment are capitalized. Maintenance and repair costs are expensed as incurred. Gains and losses on disposals or retirements are included in income as they occur.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Companies consider cash and investments with original maturities of three months or less to be cash and cash equivalents.

Income Taxes

The Companies have both elected S Corporation status for both federal and state income tax purposes. Under those provisions, the Companies do not pay federal or state income taxes on taxable income. Instead, the shareholders are liable for individual income taxes on their pro-rated share of the Companies taxable income. Management has reviewed the Companies tax returns and do not feel any uncertain tax positions have been taken that would lead to future tax or regulatory liability. The Companies tax years open to examination under the existing internal revenue code are the tax years ended 2019 to the current year.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE 1 - Summary of Significant Accounting Policies – (Continued)

Compensated Absences

The Companies recognizes the liability and related expense for vested vacation leave to which employees are entitled at the time of the absence. Vacation benefits are determined annually and employees are required to utilize the benefit within the same period. Therefore, no accrual has been made on the accompanying financial statements for compensated absences.

Franchise Agreements

Rhea Lana's Franchise Systems, Inc. the "Franchisor" sells franchise agreements for use of the proprietary name and software in the consignment sale industry. Revenue from the sale and operation under the franchise agreement by the franchisee comes from initial non-refundable franchise fees and thereafter, royalties and renewal fees for continued use of the rights and privileges under the franchise agreement.

Subsequent Event Disclosure

The accompanying financial statements and related disclosures have been reviewed by management and include any required disclosures arising after year end December 31, 2023, and through March 14, 2024, the date of the independent auditors' report. The financial statements will be issued in a reasonable time thereafter.

NOTE 2 - Depreciation Expense

A summary of combined depreciation expense as of December 31, 2023 and 2022, was \$41,827 and \$36,357, respectively.

NOTE 3 - Notes Payable

The Companies have an operating line of credit with an interest rate of 5.0% in effect with a local bank at December 31, 2023 for \$100,000. Advances under the line of credit are due upon demand and secured by the personal guarantee of the stockholders. There were no amounts due under this line of credit at December 31, 2023 and 2022. The loan was renewed for a two-year period in January, 2025.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE 4 - Related Party Transactions

Rhea Lana, Inc and Rhea Lana's Franchise Systems, Inc lease their office and warehouse facilities from an affiliated company. In 2023, the lease(s) ranged from \$2,000 to \$3,000 per month, combined and currently expire in October 2024. The total rent expense paid under the lease agreements in 2023 and 2022 was \$31,500 and \$42,000, respectively.

NOTE 5 – Franchise Activity

During the years 2023 and 2022 Rhea Lana's Franchise System, Inc. ("Franchisor") generated approximately \$204,000 and \$166,000, in revenue from new franchise sales in 2023 and 2022, and additional \$630,000 and \$600,000 in revenue from renewals, application fees and royalties from franchisee sales activity as part of total revenue in 2023 and 2022. At the end of 2023 the Franchisor had approximately 112 active franchised outlets in operation.

NOTE 6 – 401(k) Savings Plan

The employees of the Company began participating in a 401(k) savings plan in 2021, whereby the employees may elect to make a contribution, pursuant to a salary reduction agreement. The Company then makes a 4% matching contribution, subject to certain plan limitations. The Company's cost of matching contributions for 2023 and 2022 was \$21,720 and \$13,401, respectively.

NOTE 7 – Recent Accounting Pronouncements

Leases - Adoption of FASB ASC 842

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asse(s) during the contract period and other facts and circumstances. The Company determined its short- term rental agreements have been properly reported under the standard referenced above.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE 7 – Recent Accounting Pronouncements – (Continued)

Revenue from Contracts with Customers

Also in 2016, the regulatory arm of the AICPA, FASB, issued pronouncement ASU 2016-10 (Topic 606) *Revenue from Contracts with Customers*. The basic provisions of the pronouncement require all entities to identify the inherent obligations to transfer goods or services (in the future), through agreements and / or contracts with customers. The related amounts should reflect the consideration to which the entities expect to be entitled to, in exchange for these goods and services. Among requirements of disclosure of the agreement / contract details is to allocate the transaction price and performance obligations between the balance sheet and recognized revenue over the life of the agreement(s) / contract(s).

Management has reviewed the requirements of pronouncement ASU 2016-10. It determined the companies' accounting policies and practices used to recognize the revenues and related obligations for franchise license sales, renewals and sales-based royalties (covered by the pronouncement) are in material compliance with the guidelines of the ASU 2016-10 (Topic 606) financial reporting requirements.

Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.

Combined Financial Statements

With Auditors' Report

December 31, 2022 and 2021

Stan Parks, CPA
Certified Public Accountants and Consultants
Little Rock, Arkansas

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

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Stan Parks, CPA

(A Sole-Proprietorship)

Certified Public Accountants and Consultants

Little Rock, Arkansas

Stan Parks, CPA, Owner

Member
American Institute of CPA's
Arkansas Society of CPA's

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.
Conway, Arkansas

Opinion

We have audited the combined financial statements of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc. to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Board of Directors
Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.
Conway, Arkansas

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc.'s ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or other override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing the audit procedures in accordance with GAAS we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Rhea Lana, Inc. and Rhea Lana's Franchise Systems, Inc.'s ability to continue as going concern for a reasonable period of time.

Board of Directors
Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.
Conway, Arkansas

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

Stan Parks, CPA,

Little Rock, Arkansas
June 12, 2023

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

COMBINED BALANCE SHEETS
DECEMBER 31, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash on deposit	\$ 433,691	\$ 470,470
Accounts receivable	35,352	5,515
Inventory	5,329	2,158
Event deposits	4,567	20,438
Total Current Assets	<u>478,939</u>	<u>498,581</u>
Property and Equipment		
Equipment	109,314	99,378
Furniture and fixtures	149,879	125,779
	259,193	225,157
Accumulated depreciation	(121,710)	(85,352)
	<u>137,483</u>	<u>139,805</u>
Other Assets		
Due from affiliate	-	-
	<u>\$ 616,422</u>	<u>\$ 638,386</u>
 <u>Liabilities and Stockholders' Equity</u>		
Current Liabilities		
Credit card payable	\$ 17,625	\$ 26,984
Accrued expenses	5,626	7,052
Total Current Liabilities	<u>23,251</u>	<u>34,036</u>
Long-Term Liabilities		
Notes payable - long term	-	-
Stockholders' Equity		
Common stock - 600 shares, \$1 par value authorized; 600 shares issues and ou standing	600	600
Retained Earnings	592,571	603,750
	593,171	604,350
	<u>\$ 616,422</u>	<u>\$ 638,386</u>

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA'S, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Sales	\$ 4,061,495	\$ 3,307,197
Cost of Sales and Services		
Consignor percentage	1,689,123	1,389,296
Franchise support services	35,339	69,735
Contract labor	22,604	40,963
Product purchases	167,889	98,442
Computer and internet support	64,776	55,087
Event venue, equipment and supplies	176,965	119,332
Other cost	3,210	27,102
	<u>2,159,906</u>	<u>1,799,957</u>
Gross Profit	<u>1,901,589</u>	<u>1,507,240</u>
Operating Expenses		
Advertising and promotion	84,331	132,704
Bank charges	868	7,929
Conference and meeting expense	15,463	27,257
Depreciation	36,357	30,044
Due and subscriptions	1,218	8,190
Insurance	4,204	2,746
License and fees	32,070	10,191
Office expense	12,169	10,845
Postage and shipping	8,433	7,446
Professional fees	18,352	10,525
Rent	71,502	56,064
Repairs and maintenance	11,745	5,771
Salaries, wages and benefits	1,001,080	784,293
Taxes - payroll	80,624	60,263
Taxes - state and county	1,388	904
Telephone and utilities	17,841	15,638
Travel and meal expense	50,323	20,327
Other expenses	11,596	3,823
	<u>1,459,564</u>	<u>1,194,960</u>
Income from Operations	442,025	312,280
Other Income and Expense		
Other income	50	377
Gain (loss) on assets disposal	-	(35,931)
Interest income	146	30
SBA - PPP loan and Grant proceeds	-	138,097
Interest expense	-	(250)
	<u>196</u>	<u>102,323</u>
Net Income	<u>\$ 442,221</u>	<u>\$ 414,603</u>

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.
COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

Common Stock	<u>\$ 600</u>
Retained Earnings - December 31, 2020	<u>\$ 360,640</u>
Net Income (Page 5)	414,603
(Distributions to) / Contributions from - stockholders	(171,493)
Retained Earnings - December 31, 2021	<u>\$ 603,750</u>
Net Income (Page 5)	442,221
(Distributions to) / Contributions from - stockholders	(453,400)
Retained Earnings - December 31, 2022	<u>\$ 592,571</u>

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operations		
Net income (Page 5)	\$ 442,221	\$ 414,603
Adjustments to reconcile net income to net cash provided by (applied to) operating activities:		
Depreciation	36,357	30,044
Loss on asset disposal	-	35,931
(Increase) decrease in accounts receivable	(29,837)	(9,548)
(Increase) decrease in other assets	12,701	3,111
Increase (decrease) in accounts payable	(9,358)	23,478
Increase (decrease) in other current liabilities	(1,426)	1,705
Net Cash Provided by Operating Activities	<u>450,658</u>	<u>499,324</u>
 Cash Flows from Investing Activities		
Purchase of property and equipment	(34,037)	(104,280)
Basis of assets disposed	-	-
Net Cash Applied to Investing Activities	<u>(34,037)</u>	<u>(104,280)</u>
 Cash Flows from Financing Activities		
Distributions to - stockholders	(453,400)	(171,493)
Net Cash Applied to Financing Activities	<u>(453,400)</u>	<u>(171,493)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(36,779)	223,551
Cash and Cash Equivalents, Beginning of Year	<u>470,470</u>	<u>246,919</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 433,691</u>	<u>\$ 470,470</u>
 Cash Paid for:		
Interest expense	\$ -	\$ (250)

See accompanying independent auditors' report and notes to financial statements.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - Summary of Significant Accounting Policies

Company History

Rhea Lana, Inc. was incorporated under the laws of the State of Arkansas in 2008. The Company's primary business is to engage in consignment sale of children's clothing. Its primary area of operation is in Arkansas and the surrounding states. Rhea Lana's Franchise Systems, Inc. was incorporated under the laws of the State of Arkansas in 2011. This Company's primary activity is to collect fees from the authorized use of its consignment software used by franchisees across the United States. It also provides consulting services to consignment businesses. Both Companies are under identical management and ownership.

Basis of Combination

The accompanying combined financial statements include the combined accounts of Rhea Lana, Inc and Rhea Lana's Franchise Systems, Inc. Any intercompany activity has been eliminated if, and as required. The individual Companies share common facilities and personnel. As noted above, both Companies are under identical management and ownership.

Basis of Accounting

The Companies policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Inventory

Inventory of marketing materials is recorded at the net realizable value and where applicable disposal cost and obsolesce has been accounted for in values used as December 31, 2021 and 2020.

Allowance for Uncollectable Receivables

The Companies use the direct write off method for uncollectable accounts receivable. Accounting principles generally accepted in the United States of America recommend using an allowance for doubtful accounts method. Due to managements close review of day-to-day operations and the Companies past credit history with its customers, the use of the direct write off method is not deemed a material departure from these generally accepted accounting principles.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - Summary of Significant Accounting Policies – (Continued)

Advertising

The Companies policy is to expense the cost of advertising and promotion activities as incurred. The advertising expense for the year ended December 31, 2022 and 2021, was \$84,331 and \$132,704, respectively.

Property, Equipment and Depreciation

The Companies record property and equipment at the cost of acquisition or construction less accumulated depreciation. Depreciation is recorded using the straight-line methods for book purposes, and the applicable accelerated methods for income tax purposes over the estimated useful life of the asset class ranging from 3 to 31 years. Expenditures that substantially improve and /or increase the useful life of facilities and equipment are capitalized. Maintenance and repair costs are expensed as incurred. Gains and losses on disposals or retirements are included in income as they occur.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Companies consider cash and investments with original maturities of three months or less to be cash and cash equivalents.

Income Taxes

The Companies have both elected S Corporation status for both federal and state income tax purposes. Under those provisions, the Companies do not pay federal or state income taxes on taxable income. Instead, the shareholders are liable for individual income taxes on their pro-rated share of the Companies taxable income. Management has reviewed the Companies tax returns and do not feel any uncertain tax positions have been taken that would lead to future tax or regulatory liability. The Companies tax years open to examination under the existing internal revenue code are the tax years ended 2019 to the current year.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - Summary of Significant Accounting Policies – (Continued)

Compensated Absences

The Companies recognizes the liability and related expense for vested vacation leave to which employees are entitled at the time of the absence. Vacation benefits are determined annually and employees are required to utilize the benefit within the same period. Therefore, no accrual has been made on the accompanying financial statements for compensated absences.

Franchise Agreements

Rhea Lana's Franchise Systems, Inc. the "Franchisor" sells franchise agreements for use of the proprietary name and software in the consignment sale industry. Revenue from the sale and operation under the franchise agreement by the franchisee comes from initial non-refundable franchise fees and thereafter, royalties and renewal fees for continued use of the rights and privileges under the franchise agreement.

Subsequent Event Disclosure

The accompanying financial statements and related disclosures have been reviewed by management and include any required disclosures arising after year end December 31, 2022, and through June 12, 2023, the date of the independent auditors' report. The financial statements will be issued in a reasonable time thereafter.

NOTE 2 – Loss on Asset Disposal

In the spring of 2021, the Companies relocated their office operations to new facilities. At that time, the long-term assets reflected an undepreciated basis in prior year leasehold improvements which had been capitalized, of \$34,751. This amount has been charged against operations in 2021 as a loss on asset disposal.

NOTE 3 - Depreciation Expense

A summary of combined depreciation expense as of December 31, 2022 and 2021, was \$36,357 and \$30,044, respectively.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 4 - Notes Payable

The Companies have an operating line of credit with an interest rate of 5.0% in effect with a local bank at December 31, 2022 for \$100,000. Advances under the line of credit are due upon demand and secured by the personal guarantee of the stockholders. There were no amounts due under this line of credit at December 31, 2021 and 2020. The loan was renewed for a two-year period in January, 2021.

During the year 2021 and 2020, both Companies elected to participate in the second phase of the SBA's – Payroll Protection Program loan ("PPP") and emergency grant programs. This was the loan program initiated as part of the C.A.R.E.S Act in the US Congress' response to the COVID-19 pandemic. The Companies qualified for and obtained PPP loans and grants totaling \$ 138,097 in 2021 and \$143,811 in 2020. The proceeds were used to pay for qualified payroll expenses and benefits in 2021. The PPP loans were awaiting forgiven in full in 2021. The forgiven debt and grant income was recognized as non-taxable income in 2021 and 2020. The Companies had no long-term debt outstanding at December 31, 2022 or 2021.

NOTE 5 - Related Party Transactions

In November 2020, both Rhea Lana, Inc and Rhea Lana's Franchise Systems, Inc entered into a separate one-year operating lease for office and warehouse facilities with an affiliated company. The lease(s) are for a combined \$4,000 per month rent payment (prorated when applicable) and currently expire in October 2023. The total rent expense paid under the lease agreements in 2022 and 2021 was \$42,000 and \$56,064, respectively. After renovations in early 2021, the Companies occupied the leased facility in March 2021.

NOTE 6 – Franchise Activity

During the years 2022 and 2021 Rhea Lana's Franchise System, Inc. ("Franchisor") generated approximately \$166,000 and \$174,000, in revenue from new franchise sales in 2022 and 2021, and additional \$600,000 and \$485,000 in revenue from renewals, application fees and royalties from franchisee sales activity as part of total revenue in 2022 and 2021. At the end of 2022 the Franchisor had approximately 108 active franchised outlets in operation.

NOTE 7 – 401(k) Savings Plan

The employees of the Company began participating in a 401(k) savings plan in 2021, whereby the employees may elect to make a contribution, pursuant to a salary reduction agreement. The Company then makes a 4% matching contribution, subject to certain plan limitations. The Company's cost of matching contributions for 2022 and 2021 was \$13,401 and \$13,732, respectively.

RHEA LANA, INC.
RHEA LANA'S FRANCHISE SYSTEMS, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 8 – Recent Accounting Pronouncements

Leases - Adoption of FASB ASC 842

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asse(s) during the contract period and other facts and circumstances. The Company determined its short- term rental agreements have been properly reported under the standard referenced above.

Revenue from Contracts with Customers

Also in 2016, the regulatory arm of the AICPA, FASB, issued pronouncement ASU 2016-10 (Topic 606) *Revenue form Contracts with Customers*. The basic provisions of the pronouncement require all entities to identify the inherent obligations to transfer goods or services (in the future), through agreements and / or contracts with customers. The related amounts should reflect the consideration to which the entities expect to be entitled to, in exchange for these goods and services. Among requirements of disclosure of the agreement / contract details is to allocate the transaction price and performance obligations between the balance sheet and recognized revenue over the life of the agreement(s) / contract(s).

Management has reviewed the requirements of pronouncement ASU 2016-10. It determined the companies' accounting policies and practices used to recognize the revenues and related obligations for franchise license sales, renewals and sales-based royalties (covered by the pronouncement) are in material compliance with the guidelines of the ASU 2016-10 (Topic 606) financial reporting requirements. Furthermore, the adoption of the new standard in 2020 did not require restatement of any prior year retained earnings.

Rhea Lana, Inc.
Rhea Lana's Franchise Systems, Inc.

Combined Financial Statements

With Auditors' Report

December 31, 2020

Stan Parks, CPA
Certified Public Accountants and Consultants
Little Rock, Arkansas

EXHIBIT I

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Sarah Hughes
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LIST OF FORMER FRANCHISE OWNERS

If you buy a franchise, your contact information may be disclosed to other buyers when your relationship with Rhea Lana's concludes.

All of our franchise owners are required to sign the Non-Disclosure, Noncompetition and Non-Solicitation Agreement, Exhibit E. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Rhea Lana's. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you, nor should you rely on any information communicated by them or any person other than us. Below is a list of franchisees who have left the system in the last two years prior to December 31, 2023.

Manatee County	Jill Clulow 1608 86 th Street NW, Brandon, FL 34209
Ankeny- Des Moines	Shari Rooney 10810 NW 105 th Ct., Granger, IA 50109
Medina	Jennifer Ryan 5485 Mechanicsburg, PA 17050
Owasso	Jamie Allen 16696 E. 79 th St. N, Owasso, OK 74055
Norman	Alexandria Mills 601 Shamrock Circle, Yukon, OK 73099
North Colorado Springs	Kristy Hawkins 3326 Muirfield Dr., Colorado Springs, CO 80907
Pleasant Prairie	Megan Wells 8716 Fox Haven Chase, Sturtevant, WI 53177
Tyler and Wichita Falls, TX	Cheryl Price 3311 Robin Lane, Wichita Falls, TX 76308
Northwest San Antonio	Julie Walker 116 Prairie Falcon, Boerne, TX 78006
North Tampa	Mary Wetterling 1726 Compton St., Brandon, FL 33511
NW Phoenix	Alissa Bentle 3972 E. Cat Balue Dr. Phoenix, AZ 85050 Dawn Suddock 3114 W. Louise Drive, Phoenix, AZ 85020
Tallahassee	Janet Friesen 10600 Aphrodite Loop 202, New Port, FL 34654
Savannah	Jessica Kuntzman 354 Kerry Drive, Richmond Hill, GA 31324
Cartersville	Amanda Haynes 152 Oakland Drive, Calhoun, GA 30701

There are no known trademark-specific franchisee organizations associated with Rhea Lana's

EXHIBIT J

RECEIPT

(Copy 1)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL OTHER AGREEMENTS CAREFULLY.

IF FRANCHISOR OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDER-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE PAYMENT TO, THE FRANCHISOR OR AN AFFLIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

IF FRANCHISOR 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 AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE RELEVANT STATE AGENCY.

FRANCHISOR IS RHEA LANA'S FRANCHISE SYSTEMS, INC. FRANCHISOR'S SALES AGENT FOR THIS OFFERING IS RHEA LANA RINER, 2765 BLANEY HILL ROAD, CONWAY, ARKANSAS 72032, (501) 499-0009.

ISSUANCE DATE: MARCH 14, 2024

I HAVE RECEIVED A DISCLOSURE DOCUMENT DATED _____, 20__ . THAT INCLUDED THE FOLLOWING EXHIBITS:

EXHIBIT A	List of State Authorities
EXHIBIT B	List of Agents for Service of Process
EXHIBIT C	Franchise Application
EXHIBIT D	Franchise Agreement
EXHIBIT E	Nondisclosure, Noncompetition and Non-Solicitation Agreement
EXHIBIT F	Table of Contents for Operating Manual
EXHIBIT G	State Specific Addenda
EXHIBIT H	Financial Statements
EXHIBIT I	Current and Former Owners
EXHIBIT J	Receipt

Date

Prospective Franchisee

Date

Prospective Franchisee

**PLEASE SIGN AND DATE THIS PAGE AND RETAIN THIS PAGE IN YOUR
POSSESSION AS PART OF YOUR RECORDS.**

RECEIPT
(Copy 2)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL OTHER AGREEMENTS CAREFULLY.

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EXHIBIT J	Receipt

Date

Prospective Franchisee

Date

Prospective Franchisee

**PLEASE REMOVE THIS PAGE, SIGN AND DATE ABOVE, AND RETURN IT TO:
RHEA LANA'S FRANCHISE SYSTEMS, INC., 2765 BLANEY HILL ROAD, CONWAY,
ARKANSAS 72032**