FRANCHISE DISCLOSURE DOCUMENT

ORGANIZED SPACES, LLC
A California Limited Liability Company
19000 MacArthur Boulevard, Suite 100
Irvine, CA 92612
Telephone (949) 404 1100
Email: info@tailoredcloset.com
Web: www.tailoredcloset.com

As a THE TAILORED CLOSET® franchisee, you will operate a primarily mobile business offering the retail design, sale and installation of organizing units and storage and organizing accessories for closets, pantries, home offices, storerooms, utility rooms, basements, laundry rooms and attics.

The total investment necessary to begin operation of a THE TAILORED CLOSET® franchised business ranges from $177,130- $270,650. This includes $74,950 - $76,450 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Aaron Cady, 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, (949) 404 1100, aaron.cady@gohfc.com.

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

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

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

Issuance Date: March 20, 2026

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 Exhibits C and D.
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 an 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 B 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 THE TAILORED CLOSET® 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 THE TAILORED CLOSET® franchisee?	Item 20 or Exhibits C and D list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state may also 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 California. 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 California than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

   Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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 the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

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

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

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

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

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

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

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

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

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

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

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

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 the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, (517) 373-7117.

TABLE OF CONTENTS

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES **1**

ITEM 2. BUSINESS EXPERIENCE **5**

ITEM 3. LITIGATION 6

ITEM 4. BANKRUPTCY **7**

ITEM 5. INITIAL FEES **7**

ITEM 6. OTHER FEES **8**

ITEM 7. ESTIMATED INITIAL INVESTMENT **12**

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES **15**

ITEM 9. FRANCHISEE'S OBLIGATIONS **18**

ITEM 10. FINANCING **19**

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING. **19**

ITEM 12. TERRITORY **27**

ITEM 13. TRADEMARKS **30**

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION **31**

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS **32**

ITEM 16. RESTRICTION ON WHAT FRANCHISEE MAY SELL **32**

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION **33**

ITEM 18. PUBLIC FIGURES **34**

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS **35**

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION **40**

ITEM 21. FINANCIAL STATEMENTS **47**

ITEM 22. CONTRACTS **47**

ITEM 23. RECEIPT **47**

ADDENDUM: SPECIFIC STATE DISCLOSURES

EXHIBITS:

A: Franchise Agreement, State Addendum and Schedules
B: Financial Statements
C: List of Franchisees
D: List of Terminated or Transferred Franchises
E: State Franchise Administrators and Agents for Service of Process
F: Confidential Operating Manual Table of Contents
G: Consent to Transfer and Assumption of Franchise Agreement
H: Veterans Addendum to Franchise Agreement
I: ACH Authorization Form
J: Secured Promissory Note
K: General Security Agreement
L: State Effective Dates
M: Receipts

FRANCHISE DISCLOSURE DOCUMENT

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

In this disclosure document, "we," "us" and "our" all refer to Organized Spaces, LLC, the franchisor. "You" and "your" refer to the person who buys the THE TAILORED CLOSET® franchise. If you are a company, "you" or "your" includes your owners.

Franchisor, Parents and Affiliates

Franchisor

We conduct business under the name THE TAILORED CLOSET®. Our principal business address is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. We were incorporated in California on January 24, 2006, under the name "Closet Tailors, Inc.". On May 18, 2006, we converted to a California limited liability company named "Closet Tailors, LLC." On May 5, 2010, we changed our name to “Tailored Living, LLC” and on January 24, 2022 we changed our name to “Organized Spaces, LLC”.

We have been offering franchises since 2006. From 2006 until 2011, we conducted business as CLOSET TAILORS® and our franchisees operated businesses of the type offered under this disclosure document. From 2011 until November 2022, we conducted business as TAILORED LIVING® featuring PREMIERGARAGE® and our franchisees offered retail design, sale and installation of organizing units and storage and organizing accessories for garages and garage flooring in addition to the services offered under this disclosure document.

With effect from November 1, 2022, we have bifurcated the TAILORED LIVING® featuring PREMIERGARAGE® offering into two separate offerings - THE TAILORED CLOSET® and PREMIERGARAGE®. The design, sale and installation of garage organization and flooring products and services is now offered through a separate disclosure document for a PREMIERGARAGE® franchise while the “in the home” design, sale and installation of organizing units and storage and organizing accessories are offered through this disclosure document.

Apart from the products and services now offered under the PREMIERGARAGE® disclosure document, we have never offered franchises in other lines of business. Through our former affiliate, Closet Tailors Direct Sales, Inc., we operated a business of the type you will operate under the franchise agreement from 2009 until 2011. Our only business is granting THE TAILORED CLOSET® and PREMIERGARAGE® franchises and training and assisting our franchisees.

Parents

We have five parents. Our immediate parent is Home Franchise Concepts LLC ("HFC"), and our ultimate parent is JM Family Enterprises, Inc. ("JMF"). JMF controls HFC through JM Family Holdings, Inc., TCP HFC, Inc. and Home Franchise Concepts Parent, LLC. JMF is majority-owned by the James M. Moran Intervivos Trust Number Two. HFC's principal business address is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. JMF's principal business address, and the principal business address of our other parents (other than HFC), is 100 Jim Moran Boulevard, Deerfield Beach, Florida 33442.

Affiliates

We have 11 affiliates.

Our affiliate, Budget Blinds, LLC ("BB"), a franchisor of window covering businesses, was organized as a California corporation on October 5, 1992 and converted to a California limited liability company on November 24, 2015. It began offering BUDGET BLINDS® franchises in March 1994.

Our affiliate, AdvantaClean Systems, LLC ("ACS"), began offering ADVANTACLEAN® franchises in 2006 for restoration and remediation services that make residential and commercial buildings clean, safe, healthy and energy efficient. Prior to January 1, 2019, ACS operated as a corporation, AdvantaClean Systems, Inc. (formerly named "LCR Advantage Systems, Inc."). ACS offered franchises that offered and sold HVAC installation and maintenance services under the trademark "AdvantaClean Air" from April 2009 to March 2010 at which time it ceased offering and selling these franchises.

Our affiliate, HFC KTU LLC ("KTU"), a franchisor of kitchen and bathroom improvement and remodeling businesses, was organized as a Delaware limited liability company on December 7, 2020 and began offering KITCHEN TUNE-UP® and BATH TUNE-UP® franchises in January 2021. KTU's predecessor, DCHFamily, Inc. f/k/a KTU Worldwide, Inc. ("KTUW") began offering KITCHEN TUNE-UP® franchises in 1988.

Our affiliate, Two Maids Franchising, LLC ("TMF"), a franchisor of residential cleaning services businesses, was organized as an Alabama limited liability company on August 14, 2013 and began offering TWO MAIDS ® franchises in August 2013.

Our affiliate, Aussie Pet Mobile, Inc. ("APM"), a franchisor of mobile pet grooming businesses, was organized as a California corporation on February 22, 1999 and began offering AUSSIE PET MOBILE® franchises in October 1999.

Our affiliate, Lightspeed Restoration, LLC ("LSR"), a franchisor of 24/7 restoration and remediation services, was organized as a Delaware limited liability company on December 15, 2022. It began offering LIGHTSPEED RESTORATION® franchises in mid 2023. LSR has never

offered franchises in other lines of business.

Our affiliate, Order Processing Services, LLC ("OPS"), a California limited liability company, sells certain products to some of our affiliates' franchisees but has never offered franchises in any line of business.

Our affiliate, Loss Control and Recovery, LLC ("LCR"), a Florida limited liability company, facilitates and administers jobs with national accounts for ACS and LSR franchisees but has never offered franchises.

Our affiliate, AdvantaClean Equipment Rental, LLC ("ACER"), a Delaware limited liability company, rents disaster remediation equipment to ACS and LSR franchisees and third parties. ACER has never offered franchises.

Our affiliate, BB Commercial Solutions, LLC ("BBCS"), a California limited liability company, promotes light commercial business for the benefit of our affiliates' franchisees but has never offered franchises.

Our affiliate, National Restoration Solutions, LLC ("NRS"), a Delaware limited liability company, facilitates and administers jobs with national accounts for LR franchisees but has never offered franchises in any line of business.

BB, ACS, KTU, TMF, APM, ACGD, LCR, ACER and BBCS have never operated a business of the type we franchise, nor have they or OPS offered franchises of the type we sell.

Our principal business address and that of BB, APM, BBCS and OPS is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. ACS's and LCR's principal business address is 110 N. Freeport Parkway, Coppell, Texas 75019. KTU's principal business address is 4 Main Street, Suite 1C, Aberdeen, South Dakota 57401. TMF's principal business address is 505 20th Street North, Suite 975, Birmingham, Alabama 35203. LSR's principal business address is 777 International Parkway, Suite 300, Flower Mound, Texas 75022.

Predecessors

We have no predecessors.

Agents for Service of Process

Our agents for service of process are listed in Exhibit E.

The Business We Offer

The business you will conduct as a THE TAILORED CLOSET® franchisee (the "Franchised Business") is a primarily mobile business for the design, sale, and installation of organizing units and storage and organizing accessories for closets, pantries, home offices,

storerooms, utility rooms, basements, laundry rooms and attics using our expertise and the THE TAILORED CLOSET® franchise System. We offer franchise agreements that grant franchisees the right to operate the Franchised Business within a designated area for an initial term of 10 years.

You will use a motor vehicle with signage we specify to perform installation work.

To generate sales, you will employ a multifaceted marketing approach. This includes digital strategies such as pay-per-click advertising, social media engagement, online reviews, digital business listings, and targeted email campaigns aimed at both existing and prospective customers. In addition, you will participate in direct outreach methods like canvassing neighborhoods, attending home shows, utilizing print media, and leveraging word-of-mouth referrals to build a strong local presence and drive demand for your services.

The organizing industry is robust and highly competitive, serving both residential and commercial clients who seek effective solutions to maximize storage and enhance the functionality of their spaces. Competitors in this market range from locally-based businesses and regional providers to large national chains specializing in organization systems. You will also face competition from home builders and remodeling firms that offer built-in or custom organizational features, as well as from do-it-yourself (DIY) stores, specialty retailers focused on organization products, and general department stores selling ready-made organizing units and accessories.

The industry is characterized by relatively low barriers to entry, allowing new businesses to enter the market with ease. As a result, you may encounter increasing competition over time, not only from established providers but also from emerging businesses offering similar products and services. To succeed, it will be important to differentiate your franchise through superior customer service, innovative design solutions, and effective marketing that highlights the unique value of THE TAILORED CLOSET® offerings.

In several states, businesses involved in the design, sale, and installation of organizing units and accessories must obtain contractor licenses before commencing operations. These requirements vary significantly by state, and some states enforce strict licensing standards for contractors working on residential or commercial properties. It is your responsibility to research and comply with all contractor licensing laws applicable in your state. Failure to secure the necessary licenses may result in penalties, fines, or suspension of business activities.

Beyond contractor licensing, franchise owners must also adhere to a broad spectrum of federal, state, and local regulations. Federal laws may govern issues such as workplace safety, labor standards, consumer protection, and environmental practices. State-level requirements can include business registration, tax compliance, and employment regulations. Local governments often impose additional measures, such as business permits, zoning restrictions, and health and safety codes. Some cities and municipalities require separate business licenses or permits before you can legally operate within their jurisdiction. These regulations are subject to change and may differ depending on your specific location and the scope of your services. We do not assume any responsibility for advising you on these regulatory matters.

ITEM 2. BUSINESS EXPERIENCE

Organized Spaces, LLC:

Jarrett Smith – President

Jarrett Smith has been our President since January 2025 in Deerfield Beach, Florida. Mr. Smith is also interim president of KTU and BTU since January 2026 in Deerfield Beach, Florida and Director, Executive Office, for HFC in Deerfield Beach, Florida since August 2020.

Deanne Bridenstine – Director of Merchandising and Design

Deanne Bridenstine has been our Director of Merchandising and Design since November 2020 in Massillon, Ohio. Prior to assuming this position, Ms. Bridenstine was a member of our design support team since January 2018 in Massillon, Ohio.

Scott Barnes – Director of Product Engineering and Education

Scott Barnes has been our Director of Product Engineering and Education since February 2022 in Irvine, California. Prior to assuming this role, Mr. Barnes was Business Development Manager for TAG Hardware in Vancouver, Canada from July 2018 to February 2022.

Melissa Davis – Senior Director of Procurement and Supplier Relations

Melissa Davis has been our Senior Director of Procurement and Supplier Relations since February 2022 in Thompson, Connecticut. Prior to assuming this role, Ms. Davis was the Senior Product Sourcing Manager for California Closets in Richmond, CA from January 2011 to February 2022.

Brittney Purnell – Senior Brand Marketing Manager

Brittney Purnell has been our Senior Brand Marketing Manager since April 2025 in Flower Mound, Texas. Prior to assuming this role, Ms. Purnell was Head of Marketing for The Shameless Tourist in Dallas, Texas from January 2024 to April 2025, Marketing Director for Unleashed Brands in Dallas, Texas from April 2022 to March 2024, Associate Marketing Manager for Compass in Dallas, Texas from July 2021 to November 2021 and Corporate Marketing Manager for Altus Group in Dallas, Texas from January 2017 to February 2021.

Bill Tullis – Senior Director of Franchise Operations

Bill Tullis has been Senior Director of Franchise Operations since July 2023 and a Senior Operations Manager from April 2022 to June 2023 in Newtown Square, Pennsylvania. Prior to assuming this role, Mr. Tullis was an Operations Manager from May 2020 to March 2022 and a Tailored Living franchisee in Newtown Square, Pennsylvania from January 2016 until August

2019.

Barney Erhard – Operations Manager

Barney Erhard has been an Operations Manager since July 2021 in Greenville, South Carolina. Prior to assuming this position, Mr. Erhard was a Tailored Living franchisee in Greenville, South Carolina from May 2015 until February 2020.

Beth Thomas – Operations Manager

Beth Thomas has been an Operations Manager since March 2024 in Irvine, California. Prior to assuming this role, Ms. Thomas was an independent business consultant from May 2022 to February 2004 and a Franchise Business Consultant for Closets by Design Franchising in Garden Grove, California from August 2014 to May 2022.

Home Franchise Concepts, LLC:

Corey Benish – Chief Executive Officer and President

Corey Benish has been our President since April 1, 2025 in Flower Mound, Texas. Prior to joining HFC, Mr. Benish was Group Vice President, ITS Chief Operating Officer for JMF in Deerfield, Florida from October 2023 until April 2025 and Chief Technology Officer for JMF in Deerfield Florida from April 2022 until October 2023. Prior to joining JMF, Mr. Benish was principal of CGNB Associates, LLC in Greater Boston, Massachusetts from April 2019 until April 2022.

Heather Cates – Chief Marketing Officer

Heather Cates has been HFC's Chief Marketing Officer since April 1, 2021 in Irvine, California. Prior to assuming this role, Ms. Cates was BB's Senior Marketing Director since January 2021 in Irvine, California. From October 2018 until December 2020, Ms. Cates was Executive Director of Consumer Marketing, Facial Aesthetics for Allergan (now Abbvie) in Irvine, California.

Amir Yeganehjoo – Chief Financial Officer

Amir Yeganehjoo has been HFC's Chief Financial Officer since January 3, 2023 in Flower Mound, Texas. Prior to assuming this role, Mr. Yeganehjoo was Senior Vice President, Finance, Treasury and Investor Relations for European Wax Center in Dallas, Texas from October 2020 until December 2022, and Head of Corporate Finance for Chewy.com in Fort Lauderdale, Florida from December 2019 until September 2020.

Megan Hoyt – Vice President, General Counsel and Secretary

Megan Hoyt has been our Vice President, General Counsel and Secretary since March 2026 in Flower Mound, Texas. Prior to assuming this role, Ms. Hoyt was Deputy General Counsel from

May 2023 until February 2026 and Senior Corporate Counsel for Intellectual Property and Litigation from May 2022 until May 2023 for HomeVestors of America, Inc. in Dallas Texas, and Briefing Attorney and Term Law Clerk to the Honorable Susan J. Hightower from November 2020 until May 2022 in Austin, Texas.

Josh Barker – Chief Development Officer

Josh Barker has been our Chief Development Officer since March 2026 in Flower Mound, Texas. Prior to assuming this role, Mr. Barker was Senior Vice President of Franchise Recruitment from January 2025 until February 2026 and Vice President of Franchise Recruitment from August 2021 until January 2025 for Unleashed Brands in Katy, Texas and Vice President of Franchise Development for Neighborly in Waco, Texas from October 2020 until August 2021.

Aaron Cady – Vice President of Franchise Development

Aaron Cady has been HFC's Vice President of Franchise Development since March 2023 in Irvine, California. Prior to assuming this role, Mr. Cady was HFC's Director of Franchise Development from March 2019 to February 2023 in Irvine, California.

ITEM 3. LITIGATION

In the Matter of: Aussie Pet Mobile, Inc. and Ian Moses (Administrative Proceeding before the Securities Commissioner of Maryland; Case No. 2004-0162–- 2005)

On January 25, 2006, Aussie Pet Mobile, Inc., while under previous ownership, entered into a Consent Order with the Securities Division of the Office of the Attorney General of Maryland (the "Division") that required the franchisor to cease and desist from taking certain actions and to make certain representations. While the Consent Order contained no monetary sanctions, it required the franchisor to cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law. The Consent Order also required the franchisor to rescind the franchise agreements that had been entered into with a former franchisee whom the Division found had not received proper disclosure, and to represent that (a) other Maryland franchisees had received proper disclosure, and (b) the franchisor had developed and implemented new franchise law compliance procedures.

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

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

You will pay us an Initial Franchise Fee of $19,950 when you sign the franchise agreement for your first territory.

We discount the Initial Franchise Fee by 15% for new franchisees who are currently-serving or honorably discharged veterans of the United States Armed Forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, you will therefore pay a discounted Initial Franchise Fee of $16,958.

There is no Initial Franchise Fee payable under a subsequent franchise agreement.

If you are purchasing your franchise from us (rather than from an existing franchisee) and you are not a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, you will also pay us an Initial Territory Fee of $55,000 for the first territory you obtain under your first franchise agreement. We discount the Initial Territory Fee by 15% for new franchisees who are currently-serving or honorably discharged veterans of the United States Armed Forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member, you will therefore pay a discounted Initial Territory Fee of $46,750.

If you enter into a second franchise agreement for a second territory at the same time, the Additional Territory Fee will be $45,000. Otherwise, for any subsequent franchise agreement and territory, the Additional Territory Fee will be the same as the then-current Initial Territory Fee.

If you request additional persons attend initial training beyond the first two attendees, you will pay us a training fee of $150 per person per day. If one additional person attends initial training, that training fee will be $1,500 ($150 per day for 10 days).

All fees noted above are payable to us in a lump sum when due unless we finance some or all of your Initial Franchise Fee and Initial Territory Fee. None of the fees described in this Item are refundable under any circumstances.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

ITEM 6. OTHER FEES

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Royalty[2]	You must pay us the greater of: (a) 5% of your Gross Revenue for the immediately preceding month or (b) $500 per month per territory for the first year and $1,000 per month thereafter.	Gross Revenue to be reported by the 5th of the month for the preceding month. Funds drawn on the 15th of the month, in arrears, or the next business day if the 15th falls on a weekend or public holiday.	Minimum royalty may be increased up to the increase in CPI on April 1 annually.
National Advertising Fund Payment	You must pay the greater of 1% of your Gross Revenue for the immediately preceding month or $250 per month per territory. May increase but not above 2% of Gross Revenue .	Same as royalty.	See Item 11. The minimum Advertising Fund payment may be increased up to the increase in CPI on April 1 annually.
Technology Fee	Currently $250 per month for the first territory; $125 per month for second and subsequent territories.	Same as royalty	Contributes to costs of technology platforms and tech support. May increase by up to 3% annually.
Training for Additional Personnel	First 2 attendees are free. We may charge up to $150 per day per person for additional attendees we approve. You are responsible for travel, accommodation and some meals for additional attendees.	One week before training begins. Travel, accommodation and meals are due as required by service providers.	The second attendee must attend training within the first 12 months. If not used, the training seat is forfeited and the then-current additional attendee charge will apply.

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Additional Territory Fee	An amount equal to the then-current initial Territory Fee if you buy an additional territory in the future.	When you purchase additional territories.	Availability of additional territories is at our discretion.
Key Account Referral Fees[3]	We negotiate each program individually with the Key Account.	No more often than monthly.	We may charge you referral fees or a percentage of the job in exchange for Key Account leads. You may opt out of servicing any Key Account.
Encroachment Payment	100% of your gross sales in another franchisee's territory.	When you make sales in another franchisee's territory in violation of your franchise agreement	As an alternative to termination of your franchise for operating in another franchisee's territory.
Fees on Transfer	If selling to a new franchisee, transfer fee of $5,000 per territory or 6% of sale price, whichever is greater, up to a maximum of $50,000. If selling to an existing franchisee, $5,000 transfer fee per territory up to a maximum of $50,000.	Before transfer	Payable when you sell your franchise. No charge if your franchise is assigned to a corporation or similar entity that you control.

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Transfer Lead Referral Fee	Our then-applicable lead referral fee, currently $15,000 or the amount of any broker fees that we must pay a third party (not an employee of ours).	On a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you and the buyer began discussing a sale.	Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.
Renewal Fee	$5,000 for a single franchise agreement; $2,500 if renewing two or more franchise agreements at the same time.	When you sign a renewal franchise agreement.	
Insufficient Funds or Late Payment Fee	Currently $300, subject to change.	On due date of Royalty, National Advertising Fee and Technology Fee, if payment not made in full.	Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.
Late Reporting Administrative Fee	Currently $300, subject to change.	On due date of Royalty.	Payable if Gross Revenue is not timely reported.
Convention Fee	Fee will vary depending on venue and location but will not exceed $2,000 annually.	Travel, accommodation and meals are due as required by service providers.	Attendance at Convention is mandatory. We may in future collect the Convention Fee in installments prior to registration. If we do so, we will provide notice prior to drawing Fee installments.
Optional Meetings and Trainings	As determined by us, but generally $250 to $1,500 depending on venue and mode of delivery plus travel, accommodation and some meals.	By registration date. Travel, accommodation and meals are due as required by service providers.	

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Additional Training Requested by You	Currently $500 per day, plus travel and expenses.	Immediately after notice from us.	Paid to us if, at your request, we send one of our staff members to the Franchised Business to provide further assistance. We will charge you a daily rate for that assistance plus travel expenses for our employee.
Audit	Cost of inspection or audit, not to exceed $10,000.	Upon demand.	If audit is required due to your failure to report or your records and procedures are insufficient to determine Gross Revenue, or audit reveals Gross Revenue is understated by 5% or more, you must pay all costs of audit.
Insurance	You must reimburse our costs.	Upon demand.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Costs and Attorneys' Fees	Varies	Upon demand.	If you breach the franchise agreement and we prevail in any arbitration or litigation, you will owe us our reasonable attorneys' fees and costs.
Indemnification	Varies	Upon demand.	You must reimburse us for costs and expenses related to certain claims against us.

1. All fees are imposed and collected by and payable to us. Upon our written request, you must sign any document we require to authorize us to withdraw continuing royalties,

National Advertising Fees, Technology Fees and any other ongoing fees directly from your bank account. All fees are nonrefundable. All fees in our current offering are uniformly imposed, however, TAILORED LIVING® franchisees who converted to THE TAILORED CLOSET® and PREMIER GARAGE® franchisees under a separate conversion offering between November 1, 2022 and April 30, 2023 (see Item 1) pay continuing royalties that are, in the aggregate, no higher than the continuing royalties payable under their former TAILORED LIVING® franchise agreement.

2. You must pay us Royalty each month equal to the greater of (a) five (5) percent of your Gross Revenue or (b) $500 per month per territory for the first year and $1,000 per month per territory thereafter.

   Gross Revenue is recognized during the month that is the earlier of the date when payment of the final invoice is received or 90 days after a final invoice is issued to the customer. If Franchisee has issued previous invoices to the customer prior to the final invoice, the aggregate amount of all previous invoices and the final invoice shall be reported as Gross Revenue for the month. Gross Revenue for work performed in Gray Areas is to be included. Currently, Gray Area sales are added to the Gross Revenue of your oldest operating territory for purposes of calculating Continuing Royalty. We reserve the right to establish a separate Royalty rate for Gray Area sales.

3. Although the amount may vary, you may be required to pay a fee or a percentage of the job for lead referrals. Lead referral fees vary from program to program.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee[1]	$19,950	Lump sum or financed	When you sign the franchise agreement	Us
Initial Territory Fee[2]	$55,000	Lump sum	When you sign the franchise agreement	Us
Travel and Living Expenses While Training[3]	$1,000 - $1,500 per person	As incurred	During Training and during first 3 months after opening	Restaurants and other third parties
In-Person Training for Additional Personnel (per person)[4]	$0 - $1,500			

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Office/Warehouse[5] (Deposit and 3 months rent)	$3,000 - $9,500	Several payments	When you sign the lease and monthly	Landlord
Vehicle[6]	$22,000 - $59,000	Buy, lease or finance	Upon opening	Vehicle lessor or dealer
Forklift[7]	$6,000 - $14,000	Buy, Lease or Finance	Upon opening	Vendor
Computer Equipment[8]	$1,500 - $2,500	Lease, finance or lump sum	Upon acquisition	Vendor
Credit Card Processing Technology	$30 - $500	Lump sum	Upon opening	Vendor
Auto Insurance[9]	$500 - $2,400	Lump sum or monthly installments	Before opening and during the year	Insurance company or broker
Commercial General Liability Insurance[10]	$500 - $2,400	Lump sum or monthly installments	Before opening	Insurance company or broker
Contractor's License and Bond[11]	$0 - $1,500	Lump sum	As required by applicable law	Bonding or insurance company, Government agencies
Professional Fees	$750 - $1,500	As incurred	As incurred	Your attorney, accountant and business advisor
Initial Marketing	$10,000 - $15,000	As incurred	During first 3 months after opening	Media, agencies
Miscellaneous Expenses[12]	$9,900	As incurred	Before opening	Vendor
Additional Tools and Supplies[13]	$16,000 - $28,500	Lump sum	Before opening	Vendor
Additional Funds–- Before Opening and First 3 Months[14]	$31,000 - $46,000	As incurred	As incurred	Various
TOTAL ESTIMATED INVESTMENT	**$177,130 - $270,650**			

None of the fees or payments you make to us are refundable. Whether payments to others are refundable depends upon the arrangements you make with them. Except as detailed below and disclosed in Item 10, we do not offer direct or indirect financing for any of the above items.

1. Payable only with your first franchise agreement. The Initial Franchise Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5. The Initial Franchise Fee includes initial training and the Start-up package. We may finance up to 100% of your Initial Franchise Fee. See Item 10 for additional details.

2. If you are buying your Territory from us rather than from an existing franchisee, when you sign a franchise agreement you must pay us either: (a) an Initial Territory Fee of $55,000; or (b) an Additional Territory Fee of $55,000; or (c) if you are buying your first two Territories simultaneously, an Initial Territory Fee of $55,000 and a discounted Additional Territory Fee of $45,000, for a total of $100,000. If you buy a second Territory at a later time, the Additional Territory Fee will be the same as the then-current Additional Territory Fee. The Initial Territory Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5. We may finance a portion of your Initial Territory Fee. See Item 10 for additional details.

3. There is no additional charge for the initial training program for the franchisee and up to one employee of the Franchised Business. The training program is described in Item 11. Our estimate is for transportation, meals and lodging in excess of $1,000 while attending the training. We provide you with a travel voucher for $1,000 to attend initial training. You must pay any additional costs of transportation, lodging and meals in excess of $1,000 that you and your employees incur during Academy training as well as any wages of your employees for their time during training.

4. Subject to space availability, we will allow additional people associated with you to attend Academy training at your request. We do not charge for the Academy training for you or your manager and one other attendee, but may charge a training fee of up to $150 per day for additional trainees. The high estimate assumes one additional attendee for 10 days of in-person training.

5. You must obtain commercial office/warehouse premises from which to operate your business because you will need workspace and inventory storage facilities. Your facility will need roll-up doors and be located in an area where you may receive deliveries from large semi-trailer vehicles.

6. This is a new or used white RAM ProMaster 2500 cargo van high roof on which the THE TAILORED CLOSET® Marks are placed. The vehicle may be bought or leased but you should not purchase your vehicle for cash unless you will still have at least that same amount available as additional working capital to operate your business. We give you the wrap as part of the start-up package and you pay to have it installed on your vehicle by a vendor of your choosing. If you are acquiring your vehicle from a selling franchisee, you must have the new wrap installed within twelve months of the Operating Date otherwise it is forfeited and you will be required to purchase a wrap if we require you to update an

outdated wrap on your vehicle at a later date. If you provide evidence that your vehicle already has the current wrap installed, we will issue a credit for $1,000 provided you make a claim for the credit within twelve months of the Operating Date. From time to time your affiliation with HFC may allow for discounts on these vehicles and our recommendation is to check with your Regional Operations Manager before purchasing or leasing.

7. Purchase or lease of a forklift is required. Low figure is the purchase price of a reconditioned unit and high figure is the price of a new unit. If you wish to finance the forklift, you should check the availability of financing and its cost in your area.

8. This is a laptop computer. A minimum 14-inch screen with high resolution is recommended. Windows operating system is required for compatibility with required software.

9. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than $1,000,000. We must be named as an additional insured.

10. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than $2,000,000. We must be named as an additional insured.

11. A contractor's license and bond are required only in States that require a contractor's license.

12. Miscellaneous expenses include warehouse setup (racking/organization, etc.) , vehicle upfit, vehicle wrap installation.

13. As part of the Start-up package, we give you some of the items included in this category at no additional charge. We only provide a Start-up Package if you are purchasing your first territory from us or an existing franchisee. We do not provide additional samples when you sign a subsequent franchise agreement. If you want more or additional samples from other approved suppliers or samples of other products, you must obtain them from the supplier.

14. This category estimates an additional cash reserve available to cover initial operating expenses during the first three months of operation. The amount of additional funds that you may need varies based on a variety of factors, including whether you choose to have an office outside your home, the number of employees you choose to hire and the salary and other benefits you choose to pay, fuel purchases and vehicle maintenance expenses. We have based this estimate on the experience of our United States franchisees. The "Additional Funds" category is not the only source of cash, but is in addition to cash flow from operations. We cannot estimate your cash flow from operations and encourage you to contact our existing franchisees to evaluate this on your own. We recommend you have $100,000 in working capital for your first year of operation.

15. As noted above, except for some or all of your Initial Franchise Fee and Initial Territory Fee, we do not finance any of your initial investment. Please see Item 10 for information about financing these fees.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may offer for sale to customers only the products and services that we have approved in writing, as specified in the Confidential Operations Manual ("Manual"). We have selected certain suppliers based on standards of quality and appeal to the general public. You must offer the specific product that we require in the Manual. You must purchase components for organizing units and storage and organizing accessories for closets, pantries, home offices, storerooms, utility rooms, basements, laundry rooms and attics and all components of these units and accessories ("Products") only from us, our affiliates or approved suppliers. Additionally, you must obtain any materials, other than stationery and business cards, containing the THE TAILORED CLOSET® marks only from us or from suppliers that we have approved. None of our members, affiliates or officers owns any interest in any supplier with whom you are required or recommended to do business. We may, in our sole discretion, change these specifications periodically, change the authorized products and services at our discretion, and designate specific products or services as mandatory. You must offer all products that we designate as mandatory. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory.

You must participate in our corporate phone tracking system (currently Invoca) which utilizes dynamic telephone numbers to track the source of your leads. The Invoca service is paid for from the National Advertising Fund.

We have the right to require that products, supplies, equipment, and services that you purchase and use in your Territory: (i) meet specifications that we establish from time to time; and (ii) be purchased solely from us or our approved suppliers. We may impose purchasing restrictions for any reason; the most likely reason would be to control the quality and consistency of the product and to facilitate volume-discount pricing arrangements. We will make a price list available to you. The prices and products contained on the price list are subject to change at any time.

We may, at any time, in our discretion, change, delete or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We estimate that approximately 90% of your purchases and leases in establishing the Franchised Business and 30% to 50% of your total purchases and leases in operating the Franchised Business will be subject to the restrictions described above.

We approve suppliers on a case by case basis. Approved suppliers are listed in the Manual. We approve suppliers after careful review of the quality of the products they provide to us and our franchisees. In deciding whether to approve suppliers, we consider reputation, product quality, prices, consistency, reliability, financial capability of the supplier, labor and customer relations, frequency and cost of delivery, delivery network capability, standards of service, including prompt

attention to complaints, and other criteria. We may also condition approval of suppliers on the willingness of the supplier to provide discounts to us and/or our franchisees, to contribute to advertising costs, or to make other financial concessions. If you would like us to consider another supplier, you or the supplier must submit to us a written request for approval and you or the supplier must provide us with samples of the supplier's products or work. We will review the supplier and notify you and the supplier whether we will approve it as an additional supplier. We expect to complete a review of a proposed new supplier within 30 days after receiving all necessary information and materials. We do not expect to charge a fee for evaluating a supplier. We will furnish our standards and specifications to you or suppliers on request, either orally or in writing, but only on a confidential basis.

If we revoke our approval of a supplier, we will do so in writing.

Neither we nor any of our affiliates are currently approved suppliers of organizing units, storage units, or other organizing materials but we reserve the right to become a supplier in the future. We are an approved supplier of advertising and promotional materials using our Marks. In 2025, we received $67,989, or about 1.2% of our total revenue of $5,464,989 from this source. None of our affiliates' revenues in 2025 arose from sales to franchisees.

We may retain rebates, allowances or cooperative advertising dollars (collectively "Allowances") we receive from suppliers. We may use all Allowances received for any purpose that we and our affiliates deem appropriate. For the year ended December 31, 2025 we received Allowances of $1,485,382, or 27.2% of our total revenue of $5,464,989. Most of these Allowances were structured as a percentage of the purchase price of the products and were generally between 5% and 10% of the purchase price.

We do not currently participate in any purchasing or distribution cooperatives.

We may endeavor to negotiate arrangements with third party vendors, including price terms, to enable you to purchase at competitive prices. We do not provide material benefits to our franchisees based on their purchase of particular products or services or use of designated or approved sources.

Insurance

You must obtain before you begin operating your Franchised Business and must maintain at all times the types of insurance and the minimum policy limits specified in the Manual. Currently we require: (i) general liability insurance in the amount of $1,000,000 per occurrence and $2,000,000 in the aggregate; (ii) umbrella liability of $1,000,000; (iii) general casualty insurance covering the full replacement cost of your vehicle; and (iv) employment practices liability insurance. However, you may be required to acquire additional insurance by the laws in your area. The insurance policies must protect you, us, and our respective past, present and future officers, directors, owners, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon

or in connection with the condition, operation or use of the Franchised Business. We must be named as an additional insured under each policy that we require. Upon our request or as specified in the Manual, you must provide us with certificates of insurance or other proof of insurance in the form we request evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of the coverage upon reasonable notice.

ITEM 9. FRANCHISE'S OBLIGATIONS

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

OBLIGATION		SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	Sections 2 and 3	Items 7, 8, 11 and 12
b.	Pre-opening purchases/leases	Sections 4 and 8	Items 5, 7, 8 and 11
c.	Site development and other pre-opening requirements	Sections 3, 4 and 8	Items 5, 7, 8 and 11
d.	Initial and ongoing training	Section 7	Items 6, 7 and 11
e.	Opening	Section 2	Item 11
f.	Fees	Sections 4, 5, 7, 9, 10, 11 and 12	Items 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 2, 3, 6 and 8	Items 8, 11 and 15
h.	Trademarks and proprietary information	Sections 6, 7 and 8	Items 13 and 14
i.	Restrictions on products/services offered	Sections 2, 6 and 8	Items 8, 11, 12 and 16
j.	Warranty and customer service requirements	Sections 2, 4, 8 and 13	Items 11 and 12
k.	Territorial development and sales quotas	Sections 2 and 8	Item 12
l.	Ongoing product/service purchases	Sections 7 and 8	Items 6 and 8
m.	Maintenance, appearance and remodeling requirements	Section 8	Items 6, 8, 11 and 17
n.	Insurance	Section 8	Items 6, 8, 11 and 17
o.	Advertising	Sections 4 and 8	Items 6, 7, 8 and 11
p.	Indemnification	Section 13	Item 6
q.	Owner's participation/management/ staffing	Sections 7 and 8	Items 11 and 15
r.	Records and reports	Section 8	Item 11
s.	Inspections and audits	Section 8	Items 6 and 11
t.	Transfer	Section 9	Item 17

OBLIGATION		SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
u.	Renewal	Section 5	Item 17
v.	Post-termination obligations	Section 12	Item 17
w.	Non-competition covenants	Section 8 and Exhibit G	Items 15 and 17
x.	Dispute resolution	Section 11	Item 17
y.	Personal guaranties of agreements	Schedule 1	Items 15 and 22

ITEM 10. FINANCING

If you meet our credit standards, we will, at your request, provide financing as shown below.

To obtain financing, you must sign a Secured Promissory Note and General Security Agreement substantially in the form of Exhibits I and J to this disclosure document. No separate personal guaranty is required to obtain financing. Payments begin with the first royalty due date. The note can be prepaid without penalty at any time during its term. The General Security Agreement grants us a security interest in substantially all of your assets to secure your payments under the Secured Promissory Note. You waive your right to notice of a collection action and to assert any defenses to collection against us.

Key terms are as follows:

Item Financed	Amount Financed	Minimum Down Payment	Term (months)	Rate of Interest Plus Finance Charge	Monthly Payment	Prepay Penalty	Liability Upon Default	Loss of Legal Right
Initial Franchise Fee and Part of Territory Fee	$44,000	$0	60	10%	$937.81	None	Lose franchise, pay unpaid balance, attorney fees, and costs	Waive notice

We do not receive any direct or indirect payments or other consideration from any person for the placement of financing.

Although we have never done so, we have a right to sell your promissory note at a discount rate to a third party which may be immune under the law to any defenses to payment you may have against us. We do not guarantee any notes, leases, or obligations.

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

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

Pre-Opening Obligations

1. Designate your territory (Franchise Agreement §§ 1.15, 2.1, Schedule 2).

2. Approve your Showroom, if you decide to establish one (Franchise Agreement § 3.3).

3. Allow you to use our Marks (Franchise Agreement § 6.1).

4. As discussed in Item 11, provide an initial training program (Franchise Agreement § 7.1).

5. Provide the Initial Start Up Package (Franchise Agreement § 7.5, Schedule 3).

6. Provide you with proprietary information for use in connection with training your staff. (Franchise Agreement § 7.2)

7. Provide you with electronic access to the Operating Manual and the Designer Handbook at initial training. Exhibit F to this disclosure document includes a table of contents of the Operating Manual as of the date of this disclosure document. The Operating manual had 157 pages on that date (Franchise Agreement § 7.9).

8. Recommend standard equipment, tools, supplies and inventory for use in your Franchised Business and sources for purchasing them (Franchise Agreement § 7.10).

Site Selection and Time to Opening

You must secure office/warehouse space for your Franchised Business. We do not have to provide any assistance to you in the selection of an office/warehouse site. There is no time limit for you to find your site. You do not need our approval of your site, as long as it is in your Territory.

You do not have to establish a showroom site, but if you are approved to do so, it must be located within the Territory, you must ensure that the showroom complies with our written specifications and other requirements as set forth in the Manual, and you must obtain our prior written approval. We do not help you select a showroom site. We will have 14 days within which to indicate our approval or disapproval of the location of your showroom. We require that the showroom be located at least one mile within the borders of your Territory. We do not provide assistance with obtaining equipment, signs, fixtures, opening inventory and supplies.

The typical length of time between the signing of the franchise agreement and beginning operation of your Franchised Business is 60 to 90 days. Factors that may affect the time between signing the franchise agreement and beginning operation include whether you will operate out of a showroom, the satisfactory completion of initial training and availability of THE TAILORED CLOSET® materials for you to begin operating the Franchised Business. If you do not begin operating the Franchised Business on the date specified in the franchise agreement and do not obtain a written

extension of time from us, you must begin paying fees even if you have not yet begun operating.

Post-Opening Obligations

During the operation of your Franchised Business, we will provide the following services and assistance to you:

1. Police the Marks and distinguishing characteristics as necessary (in our sole discretion) to protect the System (Franchise Agreement § 6.6).
2. Train you and/or your staff as we develop new products, services and methods (Franchise Agreement § 7.6).
3. Make our representatives available to you during normal business hours for consultation and guidance with respect to the operation and management of the franchised business (Franchise Agreement § 7.7).
4. At your request, we will make additional or refresher on-site training available at your expense as we deem appropriate, at the rate of $500 per day plus travel and living expenses (Franchise Agreement § 7.4).
5. At our option, hold a Convention of franchisees and other meetings to discuss topics which we determine to be appropriate and in the best interests of the System, such as trends in services and products, sales techniques, performance standards, and marketing programs (Franchise Agreement § 7.8).
6. Assist you in developing initial post-opening promotion of the Franchised Business and, from time to time, provide you with promotional and advertising information (Franchise Agreement § 7.11).
7. Establish and maintain a web site that provides information about the THE TAILORED CLOSET® System and identifies you and our other franchisees (Franchise Agreement § 8.11).
8. Operate a toll-free telephone number to be used by all our franchisees (Franchise Agreement § 8.4).
9. Establish and maintain, at our option, an electronic portal through which we disseminate the Manuals as well as marketing collateral, training and other digital assets (Franchise Agreement § 8.14).

We do not have any obligation to assist you in establishing prices, such as setting minimum and/or maximum prices at which you must sell products and services.

You will agree in your Franchise Agreement that we are not joint employers of your employees and other personnel. We do not and will not share or codetermine any of your employees' essential terms and conditions of employment. More specifically, in no case do we have any authority to determine or set your employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and

health of employees. You alone have sole authority to determine any or all of your employees' essential terms and conditions of employment.

Advertising

You must pay the greater of 1% of your Gross Revenue for the immediately preceding month or $250 per month per territory to the National Advertising Fund. This amount may be increased, at any time, but cannot exceed the greater of 2% of your Gross Revenue and $500 per month per territory (Franchise Agreement § 4.4(a)).

We will administer the National Advertising Fund. We will spend National Advertising Fees for local, regional and national advertising and public relations programs and initiatives as we deem necessary or appropriate for the promotion or protection of the System including website development and maintenance, public relations, media costs, commissions, digital marketing, market research, creative and production costs (Franchise Agreement § 4.4(f), (g)).

The money in the National Advertising Fund is used primarily to drive brand recognition at the national level, enhance the THE TAILORED CLOSET® image, as well as the development of a turn-key local area marketing toolkit to be leveraged in each new franchisee's local area (Franchise Agreement § 4.4). A secondary benefit of some national programs is lead generation. During the year ending December 31, 2025, we spent the National Advertising Fund as follows:

15% Production (website maintenance, content creation, new technology platforms)

61% Media Placement and SEO (digital advertising, email marketing, social media, local pay-per-click support)

15% Administrative

9% Other

We use several advertising agencies to provide us with advertising materials and assist with media planning and buying in various types of media. We also provide in-house advertising support.

Businesses owned by us or our shareholders and affiliates or franchisees who purchased under prior offerings may contribute to the National Advertising Fund at a different rate or not at all. We alone will determine all matters involving advertising, public relations, and promotional campaigns. On a national or regional basis, we may impose an additional assessment on affected franchisees for special advertising or promotional activities if two thirds of all affected THE TAILORED CLOSET® Franchised Businesses agree in writing (Franchise Agreement § 4.I)).

Some local advertising is funded by the National Advertising Fund. In addition to National Advertising Fund expenditures on local advertising, you will also place your own local advertising. In the future you may be required to invest the amount set forth in the Manual and the Franchise

Agreement on local advertising (Franchise Agreement § 8.3(a)). You may purchase advertising materials from us or develop advertising materials for your own use, at your own cost, but we must approve the advertising materials in advance and in writing.

We have a Franchise Advisory Council consisting of 6-12 franchisee representatives across the United States and Canada. The purpose of the FAC is to advise us in connection with issues facing franchisees, including but not limited to advertising policies. Members are elected by the franchise body. The FAC serves in an advisory capacity only and does not have operational or decision-making power.

We do not and are not, in any way, required to spend any National Advertising Fees in your Territory. However, all National Advertising Funds are spent to benefit all THE TAILORED CLOSET® franchisees generally, including you.

If we do not spend all National Advertising Fees collected during the year, the remaining money is retained for future years. National advertising fees are not refundable or rebated to you. None of the National Advertising Fees are used primarily to solicit franchise sales. Our advertising may include a telephone number to call about franchising opportunities.

We will deposit National Advertising Fees into a separate national advertising operating account. No interest is credited for your benefit or paid to you (Franchise Agreement § 4.4). The National Advertising Fund is not in a trust, fiduciary relationship, or any other similar special arrangement.

Upon your request, we will provide you with a summary statement of annual receipts and expenditures from the National Advertising Fund during the prior calendar year on or before March 31 (Franchise Agreement § 4.4). The National Advertising Fund is not separately audited from our general funds audit.

In the future, we may establish a national support services network providing qualified representatives to handle customer problems. The cost of that service may be paid partially or wholly from the National Advertising Fund.

We can require advertising cooperatives to be formed, changed, or merged; and, we can dissolve a cooperative if it is not conducting its affairs in the best interests of the System, or contrary to System requirements. All votes of franchisees in a cooperative area will be based on one vote per territory. At the present time, no advertising cooperatives exist.

If we determine that an advertising cooperative is appropriate, we will designate the area, which, in our judgment, includes franchisees with common needs and interests. Franchisees within an advertising cooperative area will contribute the same amount or percentage to the common cooperative fund. Any franchisor outlets within the cooperative area will contribute to the advertising cooperative fund in the same manner as the other franchisees. The franchisees within an advertising cooperative area will administer the cooperative and determine whether governing

documents will be developed and utilized. Similarly, the members of the cooperative will determine whether annual or periodic financial statements will be prepared and made available for review by the franchisees. You are required to participate.

You are not permitted to develop, create, generate, own, lease, or use any digital or electronic platforms—including websites, email addresses, social media pages, forums, or any other online channels—that feature or display, in whole or in part, our Marks, brand names, or any similar words, symbols, or terms, unless you have received our explicit written approval in advance (Franchise Agreement § 6.7). Additionally, you may not use our Marks to promote your Franchised Business on social media without our consent. We generally permit use of our Marks on social media as long as you follow our social media guidelines (Franchise Agreement § 6.8).

Computer and Software

You must have a Windows-based laptop with Intel Core i5/i7 or equivalent, 500GB hard drive or greater, 4GB DDR3 RAM, screen resolution of 1280×1024 or greater, Windows 10 or newer (cloud-based systems not supported), and Microsoft Excel 2010 or newer to operate the D'Vinci™ design software. We recommend Windows 11 Professional or better. Microsoft Office 365 Standard or better, must be installed. In order to protect you and the entire system from Internet threats, your computer must have an active subscription of MacAfee, Norton or similar antivirus software. We estimate the cost of your computer system will range between $1,500 to $2,500. **If your computer system deviates from these specifications, it will be incompatible with our hardware and software and we will be unable to provide you with technical support.** Your device must have high-speed (broadband, DSL, FIOS) Internet access. You are required to use our customer relations management (CRM) and proprietary design software in your business. Your monthly Technology Fee, disclosed in Item 6, helps pay for upgrades and support for the CRM software. If the CRM software is modified or replaced in the future, you may need to upgrade or replace your computer to run the modified CRM software. There are no contractual limitations on the frequency or cost of mandated upgrades. We estimate upgrades could cost between $1,500 to $2,500. In addition, you are currently required to use ProfitKeeper for monthly reporting of Gross Revenue and other financial information relating to your Franchised Business.

We can require you to use any cloud-based application or software that we or others develop and can require you to enter into any software license and maintenance agreements for the software that we prescribe. The required software and applications are subject to change from time to time as notified and specified in the Manual.

We also can require you to sign or assent to a "terms of use" agreement with respect to all software that we designate. You must acquire any computer hardware necessary for the software we designate (Franchise Agreement § 8.1(d)). There are no contractual limitations on the frequency or cost of required upgrades. Since computer technology is evolving rapidly, it is difficult to predict the extent of required upgrades or your estimated costs.

We provide to you without additional charge one copy of our proprietary D'Vinci™ design software that will allow you to design an organizational system for a customer and show the

customer what the storage system will look like. Updates and support for the D'Vinci™ software are included in the Technology Fee.

You must use the computer system for daily functions including entering all leads, appointments, proposals (whether accepted or not), invoices, payments and tracking and entering purchase orders and receipts, updating inventory, generating sales reports, inventory management, and analysis of financial information relating to the Franchised Business. You must give us unrestricted electronic access (including user IDs and passwords, if necessary) to your computer system for the purposes of obtaining information relating to Gross Revenue of the franchised business, inventory levels, aged inventory and cost of goods sold. You must permit us to download and transfer data via modem or other connection on a real-time basis or as frequently as possible, as we determine. There are no contractual limitations on our right to access data stored in your computer system.

Training

TRAINING PROGRAM

Training consists of a combination of 5 days in-person Academy training at the HFC Experience Center in Coppell, Texas as well as pre- and post-Academy training that is conducted virtually. Our current curriculum is shown in the table below but is subject to change at any time without notice:

Subject	Hours of In-Person Classroom or Virtual Training	Hours of On-The- Job Training	Location
PRE TRAINING			
Introductions to Business Systems, Design Foundations & Software, Products, Warehousing & Tools	3.5	0	Virtual
ACADEMY TRAINING			
Business Education: Financial Management, Business Planning, Business Fundamentals	3.5	0	Virtual
Introduction to Business Platforms	2.0	0	Virtual
Introduction to Supplier Partners	0.5	0	Virtual
Design Q&A	0.5	0	Virtual
Marketing Overview	1.5	0	Virtual

Subject	Hours of In-Person Classroom or Virtual Training	Hours of On-The- Job Training	Location
Recruiting and Retaining Staff	1.5	0	Virtual
Policies and Procedures	0.5	0	Virtual
Welcome, Facility Tour, Introductions	1.0	0	Coppell, TX
Business Fundamentals Review, Networking	1.25	0	Coppell, TX
Local Analysis: Business Foundation, Competition, staffing, Initial Forecasts	1.25	0	Coppell, TX
CRM	3.0	0	Coppell, TX
Local Area Marketing	2.75	0	Coppell, TX
Measuring	0.75	0	Coppell, TX
Product Knowledge	3.75	0	Coppell, TX
Design Theory, Software & Labs	10.25	0	Coppell, TX
Consultative Sales Process	8.0	0	Coppell, TX
Samples and Samples Program	1.0	0	Coppell, TX
Operational Procedures: • Efficiencies • Operational Processes • Introduction to Tooling and Warehouse Procedures	6.5	0	Coppell, TX
Hands-on Installation: • Closet Installation • Accessories Installation	19.0	0	Coppell, TX
Introduction to Post-Academy Training	1.0	0	Coppell, TX
POST-ACADEMY TRAINING			
Sales	1.25	0	Virtual

Subject	Hours of In-Person Classroom or Virtual Training	Hours of On-The- Job Training	Location
Product Knowledge	1.25	0	Virtual
Design	2.5	0	Virtual
Design Software	1.25	0	Virtual
Install & Operations	1.25	0	Virtual
Total	80.5		

Our training program is supervised by Jacquelyn Oldham, our Senior Director of Learning Experience. Ms. Oldham has been in this role since February 2025 and has been a leader in the field of learning and development for over 15 years. The training modules are presented by employees with at least five years of industry experience, the majority of whom have been with us for over a year.

For your first franchise agreement with us, training for up to two people is provided without charge. The Start-up Package you receive from us includes a $1,000 travel voucher to attend Academy training. You are responsible for all costs of travel, accommodation and incidentals including meals in excess of $1,000.

There is no training requirement for franchise agreements other than your first one with us.

If we have room at a training session, you may send additional people to in-person training. We will train one additional person at the same training session as the original trainee at no additional charge. Additional people may attend either the same or later in-person training sessions, subject to class availability. We reserve the right to charge up to $150 per person per day for additional attendees. You must pay all other costs associated with in-person training, including lodging and airfare in excess of the amounts described above, meals, and wages for your employees during training.

You or your manager must complete the initial training program to our satisfaction before you begin operating the Franchised Business (meaning you have participated in and completed all training modules and obtained a passing grade on all written or oral tests or proficiency reviews (if any)). At the initial training program, we give you access to proprietary information for use in training your staff. The materials we provide remain our sole property. Initial training is conducted as needed, usually every other month. Upon reasonable notice and at no charge to you, we may require you or your designated personnel to attend additional training courses, seminars, conferences or other programs that we consider relevant or appropriate to the successful operation of the System. You must pay all costs you and your employees incur while attending any additional

training programs, including costs of travel, hotel and meals. We currently hold regional meetings, but do not require attendance. We have the right to make attendance mandatory.

ITEM 12. TERRITORY

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

During the term of the Franchise Agreement, we will grant you a protected territory. We will not establish another franchised business in your Territory that sells and installs organizing units and storage and organizing accessories using our System and Marks. We will not compete with you in your Territory from outlets that we own using our System and Marks. Franchisees are prohibited from doing business in the contracted territory of other franchisees, however, we cannot guarantee that another franchisee will not breach the franchise agreement and do business in your Territory. Your Territory will be described by United States Postal Service ZIP Codes in your franchise agreement. Each Territory will consist of approximately 100,000 households. The ZIP codes making up your territory will not change even if their boundaries are expanded or contracted by the Postal Service or if the population within them decreases or increases.

We may negotiate agreements with Key Accounts, such as commercial customers that have multiple sites, offices, or retail premises across two or more territories. We may charge you a reasonable percentage of the job or a fee in return for Key Account referrals. You may choose whether to service any particular Key Account on a case by case basis. If you choose to opt out with respect to any Key Account in your Territory we may subcontract with other franchisees or third parties to service the Key Account.

If we establish a Company-Owned Operation (COO) in the future, a COO may contract with Significant Key Accounts. A Significant Key Account is one that requires such a substantial capital investment in product, or such complexity or volume of work, that a single franchisee cannot practicably perform the work required. In such cases, COO may contract with the Significant Key Account for its own account and underwrite the product purchase, offering you the opportunity to perform some or all of the installation services as COO's subcontractor, for reasonable compensation. If necessary, a COO may also subcontract with other franchisees or third parties to service the Significant Key Account in the Territory without compensation to you.

We may also, in the future, arrange other referral programs, such as web site referral programs, under which you pay fees to referral sources in return for business in your Territory. We will give you information about these programs as they are developed and you may decide whether to opt out of them. If you do not expressly opt out of a referral program, you will be considered to have opted in.

You must promote, market, and engage in the Franchised Business diligently and effectively, develop to the best of your ability the potential of the Franchised Business within your

Territory, and devote and focus your full time attention and efforts to its promotion and development.

You may not relocate your territory without our consent. You do not need our approval for the location of your franchised business within your territory, but if you decide to have a retail showroom our prior written approval is required and it must be located at least one mile within the borders of your territory.

Because the franchised business consists of the sale and related installations of organizing units and storage and organizing accessories within your territory, alternative means of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing media, used to generate sales without performing installations, whether they are directed to customers inside or outside your territory, are not permitted without our prior consent.

You may not use the Internet to solicit business except as described in Sections 6.8 (Use of Marks in Social Media) and 8.11(d) (Franchisor's Web Site) of the franchise agreement. You may not intentionally direct your advertising or marketing at customers in other franchisees' territories. You must obtain our prior written approval before selling organizing units and storage and organizing accessories for installation in unassigned Gray Area outside your assigned Territory. Generally, we will grant permission for you to operate in Gray Area. The organizing units and storage and organizing accessories you sell must be installed in buildings located in your Territory, or with our consent, in Gray Area.

If we give you permission to operate in Gray Area, we have the right to sell or assign them or any part of them at any time, without notice to you. You will not have a right of first refusal or option to buy a territory that was formerly designated as a Gray Area.

Although we will not grant anyone else the right to operate in your Territory, except as described above and in section 2.2(b) or the joint marketing provisions contained in section 2.2(c) of the franchise agreement, we do not promise that another franchisee will not violate the franchise agreement and conduct business in your Territory.

You may increase your territory only by entering into a franchise agreement for an available additional territory for the fees described in Item 5 of this disclosure document. An additional territory must generally be contiguous or close to your first territory. We will grant an additional territory to you only if you are not in default of your first franchise agreement.

We have the right to operate or establish businesses similar to your Franchised Business, using the same Marks you will use and providing service to customers anywhere outside your Territory, regardless of how close they are to your Territory.

We reserve the right to sell products using our principal mark within your Territory through online channels, direct marketing or any other method that does not involve both sale and installation of in-home organizers. We do not have to compensate you for making such sales. We

may introduce ecommerce capabilities in the future. If this occurs, we will establish a financial arrangement that benefits both you and us, and your participation will be required.

We have the right to establish or franchise businesses similar to the Franchised Business that operate under a different trade name and marks and/or sell goods and services that are the same as or similar to those you will sell within your Territory without compensating you. However, we do not have any plans to establish or franchise businesses similar to the Franchised Business that operate under a different trade name and marks and/or sell goods and services that are the same as or similar to those you will sell.

In addition, we and our affiliates may (a) manufacture organizing units and storage and organizing accessories for sale to other retailers and wholesalers who will sell the organizing units and storage and organizing accessories under different trademarks, (b) sell organizing units and storage and organizing accessories at retail, without custom measuring or installation, under different trademarks, (c) acquire or be acquired by a company that operates and/or franchises in-home organizer businesses within your territory without using the System and the Marks, (d) acquire or be acquired by a manufacturer of products associated with organizing units and storage and organizing accessories, (e) sell organizing units and storage and organizing accessories through any other means that do not involve both the System and the Marks, and (f) advertise and promote the System and the Marks at any location within or outside your territory.

We may respond to customer complaints in your Territory, which we may resolve in our discretion.

You will not have any options or rights of first refusal or similar rights within your Territory or adjacent territories. You will not have the right to acquire additional THE TAILORED CLOSET® franchises anywhere.

Under the franchise agreement, your territorial protection or limited exclusivity will not depend upon the volume of sales generated nor on your penetration of the potential market. Except as described in this Item, there are no circumstances under which we may modify your territorial rights during the term of the franchise agreement.

ITEM 13. TRADEMARKS

You will have the right to operate your business under the Marks described below and to use other Marks we designate, under the THE TAILORED CLOSET® System.

REGISTRATION NUMBER	MARK	REGISTRATION DATE
7243736	THE TAILORED CLOSET	Registered December 12, 2023

7243832	THE TAILORED CLOSET Home, Organized.	Registered December 12, 2023

All trademark applications have been filed on the Principal Register of the United States Patent and Trademark Office. All required affidavits have been filed. All trademark registrations will be timely renewed.

You must follow our rules when you use our Marks. You cannot use all or any part of our name or Marks as all or part of your company's legal name. You may not use any modifying words, designs or symbols with our Marks. You may use the phrase "The Tailored Closet _____" as a fictitious business name. You must obtain our approval for your fictitious business name. You may not use our Marks or name in connection with the sale of unauthorized product or service or in a manner we have not authorized in writing.

No agreements limit our rights to use or license the use of our Marks.

You must notify us immediately if you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate. We will defend you against any claim against you because of your authorized use of our Marks or any judgment resulting from a claim, suit or demand arising from your use of the Marks according to the terms of the franchise agreement except a claim by a prior user of the name "The Tailored Closet". We control any administrative proceedings or litigation involving a trademark we license to you.

You must modify or discontinue the use of our Marks at your own expense if we modify or discontinue them. You may not directly or indirectly contest our right to our Marks.

We are aware of one local business in the Charleston, SC area that services Charleston, Dorchester and Berkeley counties that had prior use rights to the name "Tailored Closets". We have purchased the exclusive rights to the "Tailored Closets" name from that local business. Apart from this business, we do not know of any prior rights or infringing uses in your Territory or of any material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, trademark administrator of this state, or any court, or any pending infringement, opposition, or cancellation proceeding, that could materially affect your use of our Marks. There is no pending litigation involving the Marks.

We cannot prevent anyone who began using the name "The Tailored Closet" before our use of it from continuing their use of that name in the area of prior use. The name “The Tailored Closet” may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You acknowledge that you are responsible for finding out whether the name "The Tailored Closet" is already being used in the Territory. As a material part of the consideration for our grant of a franchise to you, you agree that we are not liable to you for any prior use of the name "The Tailored Closet" by anyone else.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Although we have not filed a copyright registration application for the Manual, we claim a copyright in their contents. The information contained in the Manual is proprietary. Except for your right to use the Manual and our marketing materials, you do not receive the right to use any item covered by a copyright.

You must promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses recovered by a third party because of claims of infringement or misappropriation of proprietary information, patents, or copyrights based on your authorized use of this information.

We do not own any rights in or licenses to any patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We prefer franchisees who plan to participate actively in the direct operation and daily affairs of the Franchised Business. We do not want to grant franchises to people who are merely seeking a passive investment. If you do not operate the Franchised Business yourself, you must employ at least one manager on a full-time basis. If you operate your franchise as a company, the manager does not have to have an equity interest in your company. You must disclose the identity of the manager to us and, should the identity of the manager change, you must notify us in writing. The manager must complete our initial training program, devote his or her entire time during normal business hours to the management, operation, and development of the Franchised Business, maintain confidentiality of the trade secrets described in Item 14 and conform to the covenants not to compete described in Item 17.

We require the franchisee to be a company or a corporation by the time business commences. Anyone who has direct or indirect control of the company or corporation or a direct or indirect beneficial interest in the company or corporation must sign the Personal Covenant and Guarantee attached to the franchise agreement as Schedule 1. If you are married, your spouse also must sign the Personal Covenant and Guarantee.

ITEM 16. RESTRICTION ON WHAT FRANCHISEE MAY SELL

You may offer and sell in the Franchised Business only goods and services that we have authorized you to sell.

We have the right to change the authorized goods and services. The investment you must

make in equipment, supplies and initial inventory because of these changes will not exceed $5,000 per year per territory without your prior approval.

Unless we approve otherwise in writing, you may only provide sales and services with respect to closets, pantries, home offices, storerooms, utility rooms, basements, laundry rooms, and attics located within your Territory. Unless we instruct otherwise, you may operate in unassigned territories known as Gray Area adjoining your Territory. Any operations in Gray Area are subject to sale of a territory that includes them or part of them to another franchisee, to initiation of "company-owned" operations in the Gray Area, and to our rules and regulations. Any advertising in Gray Area (including in telephone directories) may include only our toll-free telephone number, and not your local telephone number.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP			
This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.			
	PROVISION	**SECTION IN AGREEMENT**	**SUMMARY**
a.	Length of the franchise term	5.1	10 year initial term.
b.	Renewal or extension of the term	5.2	2 consecutive 5-year terms.
c.	Requirements for franchisee to renew or extend	5.2	Pay renewal fee and sign franchise agreement in our then-current form, not be in default, make necessary upgrades to the franchised business. The new franchise agreement may have materially different terms and conditions from our current franchise agreement.
d.	Termination by franchisee	None	You may terminate under any grounds permitted by law.
e.	Termination by franchisor without cause	None	Not applicable
f.	Termination by franchisor with cause	10.1	We can terminate (i) if you commit a material default, or (ii) if a condition occurs, the non-occurrence of which was presumed.
g.	"Cause" defined - curable defaults	10.3	You have 7 days to cure service mark violations (must begin the cure within 24 hours after notice). You have 30 days to cure defaults not listed in Section 10.2.
h.	"Cause" defined -non-curable defaults	10.2	Non-curable grounds for termination include: adjudication as a bankrupt, assignment for the benefit of creditors, admission of insolvency, abandonment of the franchised business, mutual agreement to terminate, material misrepresentation relating to the acquisition of the Franchised Business or engaging in conduct reflecting materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks, failure to comply with any federal, state or local law applicable to the Franchised Business within 10 days of notification of noncompliance, repeated breaches whether or not corrected after notice, repeated failure to comply with the Franchise Agreement, whether or not corrected after notice, seizure of Franchised Business, final judgement against Franchisee not satisfied within 30 days, conviction of felony or misdemeanor involving moral turpitude, failure to pay fees to Franchisor within 5 days after receiving written notice, continued operation of Franchised Business would result in imminent danger to public health and safety, any other franchise agreement between Franchisor and Franchisee is terminated, misappropriation of customer deposits, failure to achieve minimum Gross Revenue volume.
i.	Franchisee's obligations on termination/non-renewal	12.1	Obligations include removal of THE TAILORED CLOSET® marks and payment of amounts due us. You must assign all telephone numbers relating to the business to us. (See r. below)

j.	Assignment of contracts by franchisor	9.1	We may assign the franchise agreement if we determine the transferee is financially capable of performing our obligations and if the transferee agrees to assume such obligations.
k.	"Transfer" by franchisee – definition	1.15, 9.2	Includes transfer of contract or assets or any ownership change
l.	Franchisor approval of transfer	9.2(b)	We have the right to approve all transfers.
m.	Conditions for franchisor approval of transfer	9.2(b)	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, all money due and owing to us paid by you, and current agreement signed by new franchisee. (Also see r. below).
n.	Franchisor's right of first refusal to acquire franchisee's business	9.3	We can match any offer for your Franchised Business.
o.	Franchisor's option to purchase	None	Not applicable
p.	Death or disability of franchisee	9.6	Heir or successor must complete initial training within 30 days after the date of transfer.
q.	Non-competition covenants during the term of the franchise	8.10	Subject to state law, you may have no involvement in competing business anywhere in U.S. or in any other country where we have applied to register our trademarks.
r.	Non-competition after the franchise is terminated or expires	8.10, 12.1	Subject to state law, you may not engage in any competing business for 2 years within the former territory or within 25 miles of any other THE TAILORED CLOSET® territory. You must totally de-identify when your franchise rights have ended.
s.	Modification of the agreement	14.3	No modifications generally, but Manual and specifications are subject to change.
t.	Integration/merger clause	14.2	Only the terms of this franchise disclosure document, the franchise agreement and Manual are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	11.1 - 11.4	Except for certain claims, and subject to state law, all disputes must be arbitrated or mediated in Orange County, California.
v.	Choice of forum	11.4, 11.6	Subject to applicable state law, claims for equitable or injunctive relief must be conducted in California.
w.	Choice of law	14.1	Federal law applies to arbitration and trademark issues. The law of your state applies to amendment of your franchise agreement, the maximum rate of interest that can be charged, and post-termination non-competition issues. Except as required by applicable law, California law applies to all other issues.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following is historical financial information concerning the reported annual sales of a subset of our existing outlets, namely, those franchisees who reported gross sales and who were open for business for all of calendar year 2025 (40 single territory franchisees and 26 multiple territory franchisees, representing an aggregate total of 136 territories, or all but 1 of the territories open for all of 2025).

Annual Sales Levels

The following table shows annual gross sales reported by franchisees with a single territory and with multiple territories, that were in business throughout calendar year 2025. Figures for franchisees that had multiple territories are total sales for all territories – not average per territory – and if a franchisee's additional territory opened during 2025, the total sales do not represent a full year of sales for the additional territory. All gross sales figures are presented without regard to the size of the territory. Although we currently grant territories that include approximately 100,000 households, not all territories are that size. These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

During 2025 there were 40 reporting franchisees who operated a single territory throughout the year, and 26 reporting franchisees who operated multiple territories each throughout the year. The average number of multiple territories owned by these franchisees was 3.7.

These sales results are based upon sales reported to us by the franchisees. We do not have information concerning how our franchisees maintain their records, or whether those records are kept in accordance with generally accepted accounting principles.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

MEASURE	2025	2024	NUMBER OF FRANCHISEES/ TERRITORIES REPRESENTED	EXPLANATION
Average Sales – One Territory	$506,934	$418,805	40 franchisees/40 territories in 2025; 46 franchisees/46 territories in 2024. 26 franchisees/96 territories in 2025; 26 franchisees/98 territories in 2024.	Equals total sales by all franchisees owning one or multiple territories, divided by the number of franchisees with that number of territories. 16 or 40% of the single territory franchisees and 9 or 35% of the multiple territory franchisees attained or surpassed the stated average results for the year. The lowest amount reported for a single territory franchisee was $14,875 and the highest was $2,307,241. The lowest amount reported for a multiple territory franchisee was $59,877 and the highest was $7,543,354.
Average Sales – Multiple Territories	$1,499,950	$1,333,769		
Median Sales – One Territory	$322,264	$328,540		Shows mid-point of annual sales by franchisees with indicated number of territories. 20 or 50% of the single territory franchisees and 13 or 50% of the multiple territory franchisees attained or surpassed the stated median results for the year.
Median Sales – Multiple Territories	$843,261	$1,000,558		
75th Percentile – One Territory	$722,836	$549,219		Reported sales by the 75th percentile franchisee; only 25% of franchisees reported sales higher than this level.
75th Percentile – Multiple Territories	$1,709,062	$1,731,804		

MEASURE	2025	2024	NUMBER OF FRANCHISEES/ TERRITORIES REPRESENTED	EXPLANATION
Average Sales of Middle 50% - One Territory	$389,216	$337,274	20 single territory franchisees representing 20 territories for 2025; 23 single territory franchisees representing 23 territories for 2024. 13 multiple territory franchisees representing 47 territories for 2025; 13 multiple territory franchisees representing 38 territories for 2024.	Equals the mean (average) annual gross sales of those franchisees whose reported sales fell between the top 25% and the bottom 25%. 7 or 35% of the single territory franchisees and 5 or 38% of the multiple territory franchisees attained or surpassed the stated average results for the year. The lowest amount reported for a single territory franchisee was $191,313 and the highest was $706,611. The lowest amount reported for a multiple territory franchisee was $462,295 and the highest was $1,716,682.
Average Sales of Middle 50% - Multiple Territories	$984,693	$952,957		
Median Sales of Middle 50% - One Territory	$322,264	$328,540		Shows mid-point of annual gross sales by franchisees whose reported sales fell between the top 25% and the bottom 25%. 16 or 50% of the single territory franchisees and 9 or 50% of the multiple territory franchisees attained or surpassed the stated median results for the year.
Median Sales of Middle 50% - Multiple Territories	$843,261	$1,000,558		

MEASURE	2025	2024	NUMBER OF FRANCHISEES/ TERRITORIES REPRESENTED	EXPLANATION
25th Percentile – One Territory	$184,961	$180,913		Reported sales by the 25th percentile franchisee; only 25% of franchisees reported sales lower than this level.
25th Percentile – Multiple Territories	$431,766	$341,270		

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

We will make written substantiation for these Financial Performance Representations available to you on your reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jarrett Smith at 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, telephone (949) 404 1100, the Federal Trade Commission, and the appropriate state regulatory agencies.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

ITEM 20. TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR YEARS ENDING DECEMBER 31, 2023, 2024, AND 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	169	162	-7
	2024	162	144	-18
	2025	144	136	-8
Company-Owned	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Total Outlets	2023	169	162	-7
	2024	162	144	-18
	2025	144	136	-8

ITEM 20. TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS OTHER THAN THE TAILORED CLOSET® FOR YEARS ENDING DECEMBER 31, 2023, 2024, AND 2025

State	Year	Number of Transfers
California	2023	0
	2024	1
	2025	0
Florida	2023	1
	2024	0
	2025	0
Indiana	2023	1
	2024	0
	2025	0
Minnesota	2023	2
	2024	0

State	Year	Number of Transfers
	2025	0
Utah	2023	0
	2024	0
	2025	2
Total	**2023**	**4**
	2024	**1**
	2025	**2**

ITEM 20. TABLE NO. 3
STATUS OF FRANCHISED OUTLETS FOR YEARS ENDING DECEMBER 31, 2023, 2024, AND 2025

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
AL	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
AR	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
AZ	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
CA	2023	28	2	0	0	0	0	30
	2024	30	0	1	0	0	2	27
	2025	27	0	0	0	0	0	27
CO	2023	4	0	0	0	0	2	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
CT	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
	2023	2	0	0	0	0	2	0

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
DE	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
FL	2023	32	0	0	0	0	0	32
	2024	32	0	0	0	0	2	30
	2025	30	0	0	0	0	0	30
GA	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
IA	2023	4	0	0	0	0	1	3
	2024	3	0	0	0	0	1	2
	2025	2	0	0	0	0	0	2
ID	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
IL	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
IN	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
KS	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	1	1
	2025	1	1	0	0	0	0	2
KY	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	1	0	0	1
MA	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
MD	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
	2023	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
ME	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
MI	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
MN	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	4	0
	2025	0	0	0	0	0	0	0
MO	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	1	0	0	0	0	1
NC	2023	6	0	0	0	0	1	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
ND	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
NH	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
NJ	2023	7	0	0	0	0	0	7
	2024	7	1	0	0	0	0	8
	2025	8	0	0	1	0	0	7
NM	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
NV	2023	2	0	0	0	0	0	2
	2024	2	0	2	0	0	0	0
	2025	0	0	0	0	0	0	0
NY	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
OH	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2025	4	0	0	1	0	0	3
OR	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	1	3
	2025	3	0	0	3	0	0	0
PA	2023	2	1	0	0	0	1	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
SC	2023	4	0	0	0	0	1	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
SD	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
TN	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
TX	2023	10	0	3	0	0	0	7
	2024	7	1	0	0	0	1	7
	2025	7	0	0	0	0	3	4
UT	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	2	3
	2025	3	0	0	0	0	0	3
VA	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
	2025	7	0	0	0	0	0	7
VT	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
WA	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
WI	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Totals	**2023**	**169**	**5**	**3**	**0**	**0**	**9**	**162**
	2024	**162**	**2**	**3**	**0**	**0**	**17**	**144**
	2025	**144**	**2**	**0**	**7**	**0**	**3**	**136**

ITEM 20. TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS ENDING DECEMBER 31, 2023, 2024, AND 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0

ITEM 20. TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2026

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Colorado	1	0	0
Indiana	0	0	0
Kansas	0	0	0
Louisiana	0	0	0
Missouri	0	0	0
New Jersey	0	0	0
South Carolina	0	0	0
Tennessee	0	0	0
Texas	0	1	0
Washington	0	0	0
Wisconsin	0	1	0

Totals	**1**	**2**	**0**

Attached to this disclosure document as Exhibit C is a list of all current franchisees as of January 8, 2026, with the address and telephone number of each of their Businesses.

Attached to this disclosure document as Exhibit D is the name, last known city and state, and telephone number of each franchisee whose franchise has, during the most recently completed fiscal year, been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business or who has not communicated with us within ten weeks of the issuance date of this disclosure document. Exhibit D lists 10 terminated franchises and 2 transferred franchises.

If we grant you this franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

We have entered into agreements with some former franchisees that contain confidentiality clauses. In some instances, current and former franchisees signed provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

There is no trademark-specific franchisee organization associated with THE TAILORED CLOSET® franchise system.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit B are our parent's audited financial statements as of and for the years ended December 31, 2025, 2024, and 2023.

ITEM 22. CONTRACTS

The following agreements are proposed for use in this state in connection with the franchise we offer:

TITLE OF AGREEMENT	EXHIBIT/ SCHEDULE #	SIGNED BY
Franchise Agreement and State Specific Addendum	Exhibit A	You and us
Personal Covenant and Guarantee	Schedule 1 to Exhibit A	All people having direct or indirect "Control"* over the Franchisee or a direct or indirect beneficial ownership interest in Franchisee, including any spouse of Franchisee.
Consent to Transfer and Assumption of Franchise Agreement (includes release of claims)	Exhibit G	You, new franchisee and us
Veterans Addendum to Franchise Agreement	Exhibit H	You (only if you are a veteran) and us
ACH Authorization Form	Exhibit I	You
Secured Promissory Note	Exhibit J	You (Obligor)
General Security Agreement	Exhibit K	You (Pledgor) and us

**"Control" means possession of the direct or indirect power to direct or cause the direction of your management*

and policies, whether through the ownership of voting securities, by contract, or otherwise.

ITEM 23. RECEIPT

Attached, as the last page of this disclosure document is a receipt. Please sign it, date it **as of the date you receive the disclosure document** and return it to us. A duplicate of the receipt is attached for your records

STATE SPECIFIC ADDENDA

ADDENDUM TO ORGANIZED SPACES, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR FRANCHISEES IN FRANCHISE REGISTRATION STATES ONLY

The following only applies in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin:

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

ADDENDUM TO ORGANIZED SPACES, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

Neither the franchisor, nor any person identified in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§20000 through 20043 (the "Franchise Relations Act") provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Unless the transaction is exempt under the statute, Section 31125 of the California Corporations Code requires the franchisor to give the franchise a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement requires binding arbitration. The arbitration will occur in Orange County, California, with the costs being determined according to the rules of the American Arbitration Association.

The franchise agreement contains a liquidated damages clause. Under Civil Code Section 16711 certain liquidated damages clauses are unenforceable.

In Item 6, the maximum interest allowed in California is 10% per annum. Item 6 is modified in California to comply with California law and charging a maximum of 10% per annum.

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the

Disclosure Document, may be one source of this information.

OUR WEBSITE ADDRESS IS WWW.TAILOREDCLOSET.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

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

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, Any provision of a franchise agreement, franchise disclosure document, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

California has a labor law known as California Assembly Bill 5 or "AB5" that governs when someone is classified as an employee or an independent contractor. Your franchise agreement states that you are an independent contractor, but AB5 may mean you are an employee instead. Being an employee may entitle you to minimum wage, sick and family leave, unemployment and workers' compensation, expense reimbursements, protection from retaliation and discrimination, and other benefits given to employees. You should research and consult with an attorney regarding California's labor laws.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Note: maximum price agreements are not per se violations of the Sherman Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection

with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The last two paragraphs of Section 16.1 in the Franchise Agreement are deleted in their entirely and not applicable in the State of California.

ADDENDUM TO ORGANIZED SPACES, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES 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 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR 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 THE FRANCHISEE.

Registered agent in Hawaii authorized to receive service of process:
Commissioner of Securities
Department of Commerce and Consumer Affairs Business Registration Division
335 Merchant Street
Honolulu, HI 96813

(1) Item 1 is amended to add the following:

The name and address of our agent in this state authorized to receive service of process is: the Commissioner of Securities of the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

(2) Item 17, Summary column for (i) is amended to add the following:

Under Hawaii law, on termination or refusal to renew the franchise, you are entitled to be compensated for the fair market value, at the time of the termination or expiration of the franchise, of your inventory, supplies, equipment and furnishings purchased from us or a supplier we designated; except that personalized materials that have no value to us need not be compensated for. If we refuse to renew the franchise for the purpose of

converting your business to one we own and operate, we, in addition to the remedies described above, will compensate you for the loss of goodwill. We may deduct from the compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings under this requirement, and may offset from the compensation any moneys you owe us.

(3) Item 20 is amended to add the following:

Registrations are effective or proposed registrations will shortly be on file in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

Proposed registrations or filings for these franchises are or will be shortly on file in no other state.

No states have refused, by order or otherwise, to register these franchises.

No states have revoked or suspended the right to offer these franchises.

There are no states in which a proposed registration of these franchises has been withdrawn.

(4) 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.

ADDENDUM TO ORGANIZED SPACES, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement.

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.

Section 19 of the Illinois Franchise Disclosure Act sets forth the conditions and notice requirements for termination of a franchise agreement.

Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement. along with the compensation requirements.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

THE FRANCHISOR RESERVES THE RIGHT TO IDENTIFY "KEY ACCOUNTS" WITHIN YOUR TERRITORY. THE FRANCHISOR, ITS AFFILIATES AND OTHER FRANCHISEES MAY SERVICE A "KEY ACCOUNT" WITHIN YOUR TERRITORY – WITH NO COMPENSATION PAID TO YOU – IF YOU DECLINE TO PARTICIPATE IN KEY ACCOUNT REFERRALS.

ADDENDUM TO ORGANIZED SPACES, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

1. Item 17m (Transfer) is amended to add the following statement:

The general release required as a condition of transfer does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17u (Dispute Resolution by Arbitration or Mediation) is amended to add: "Franchisee may bring a lawsuit for claims arising under the Maryland Franchise Registration and Disclosure Law." under the heading "Summary".

Item 17v (Choice of Forum) is amended to state "None for equitable/injunctive relief and California for arbitration/mediation proceedings, and Maryland for a lawsuit for claims arising under the Maryland Franchise Registration and Disclosure Law" under the heading for "Summary."

2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

3. The franchise agreement says that we may require you to sign a release of claims as a condition of renewal or transfer of your franchise. The release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Under the franchise agreement, you must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland Franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after the franchise is granted.

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

7. Based on the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

ADDENDUM TO ORGANIZED SPACES, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of $30 on service charges.

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 with the franchise.

Notwithstanding anything to the contrary contained in the Franchise Agreement, Franchisor will protect Franchisee's right to use the Franchisor's trademarks, service marks, trade names, logotypes or other commercial symbols licensed under this Agreement or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use thereof.

ADDENDUM TO ORGANIZED SPACES, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable

allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":
   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the nonwaiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a franchisee": "You may terminate the agreement on any grounds available by law."

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

   The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO ORGANIZED SPACES, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

1. The Summary column of Item 17(r) of this Disclosure Document is modified by adding the following sentence:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

2. The Summary column of Item 17(u) of this Disclosure Document is amended by adding the following sentences:

Under the North Dakota Law, if applicable, the site of arbitration must be agreeable to all parties and may not be remote from your place of business.

3. The Summary column of Item 17(v) of this Disclosure Document is amended to read as follows:

The North Dakota Law, if applicable, prohibits us from requiring you to consent to the jurisdiction of courts outside North Dakota, including courts in South Dakota.

4. The Summary column of Item 17(w) of this Disclosure Document is modified to read as follows:

If the North Dakota Law applies, the law of North Dakota.

5. If the North Dakota Law applies, we are prohibited from requiring you to waive trial by jury for any claims arising under the North Dakota Law.

ADDENDUM TO ORGANIZED SPACES, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the disclosure document, any litigation arising under the franchise agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by 19-28.1-14 of the Rhode Island Franchise Investment Act, the Agreements will be governed by the laws of the State of Rhode Island.

ADDENDUM TO ORGANIZED SPACES, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

The franchise agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with § 11 of the Commercial Arbitration Rules of the American Arbitration Association.

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the disclosure document and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDCL 37-5B-21, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void.

Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

ADDENDUM TO ORGANIZED SPACES, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

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

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Item 3 of the FDD is hereby amended to include the following:

In January 2018, the Attorney General of Washington initiated the "In re Franchise No Poaching Provisions Investigation" which included investigation of the hiring practices of franchisors and franchisees in Washington. Specifically, the Attorney General asserted that provisions in franchise agreements that restrict a franchisee's ability to solicit or hire employees from the franchisor or other franchisees constitute a contract, combination or conspiracy in restraint of trade in violation of the Consumer Protection Act, RCW 19.86.030. In September 2019, we proactively entered into a voluntary Assurance of Discontinuance ("AOD") with Washington. Under the AOD we agreed to refrain from including in our franchise agreement in the future any provisions that purport to restrict a franchisee's ability to solicit or hire employees from us or other franchisees. Before entering into the AOD, we had already removed from our franchise agreement a provision that Washington would have asked us to remove. We have never enforced this provision in the past and, pursuant to the AOD, we agreed not to enforce this provision in any of our existing franchise agreements in the future. The AOD also required that we endeavor to amend these existing franchise agreements to remove that provision. We entered into the AOD voluntarily, to expedite our continued franchise operations in Washington, and we do not agree or concede that any claim made by Washington had merit.

20. Further, Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

16.1 Certain Acknowledgments and Representations of Franchisee

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals.

If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

EXHIBIT A

FRANCHISE AGREEMENT, STATE ADDENDUM AND SCHEDULES

THE TAILORED CLOSET

Home, Organized.

FRANCHISE AGREEMENT

TABLE OF CONTENTS

1.	DEFINITIONS	1
1.1	Affiliate	1
1.2	Company-Owned Operation	1
1.3	Control	2
1.4	Franchised Business	2
1.5	Gray Area	2
1.6	Gross Revenue	2
1.7	Handbook	2
1.8	Key Account	3
1.9	Manager	3
1.10	Manual	3
1.11	Marks	3
1.12	Materials	3
1.13	Organizer Business	3
1.14	Showroom	3
1.15	System	4
1.16	Territory	4
1.17	Transfer	4
2.	THE FRANCHISED BUSINESS	4
2.1	Grant of Franchise	4
2.2	Limited Exclusivity	5
2.3	Reserved Rights	6
2.4	Area and Scope of Operation	6
3.	LOCATION OF BUSINESS	7
3.1	Principal Place of Business	7
3.2	Office/Warehouse	7
3.3	Showroom	7
4.	PAYMENTS BY FRANCHISEE	8
4.1	Franchise Fee	8
4.2	Territory Fee	8
4.3	Continuing Royalty	8
4.4	National Advertising Fund	9
4.5	Technology Fee	11
4.6	Design Software Fee	11

4.7 Convention Fee 11
4.8 Means and Time of Payment 11
4.9 Late or Insufficient Funds Fee 12
4.10 No Accord or Satisfaction 12
4.11 Fees for Optional Referrals 12
4.12 Consumer Price Index 12
5. TERM 12
5.1 Initial Term 12
5.2 Additional Term 13
5.3 Notice of Expiration Required by Law 14
6. INTELLECTUAL PROPERTY 14
6.1 Marks 14
6.2 Acts in Derogation of the Franchisor's Rights 15
6.3 Use and Modification of Marks 16
6.4 Use of Other Trademarks 16
6.5 Prohibition Against Disputing Franchisor's Rights 17
6.6 Mark Infringement Claims and Defense of Marks 17
6.7 Use of Marks on the Internet 17
6.8 Use of Marks in Social Media 18
6.9 Copyrights 19
7. INSTRUCTION AND OPERATING ASSISTANCE 19
7.1 Initial Training 19
7.2 Additional Attendees 20
7.3 Staff Training 20
7.4 On-Site Assistance 20
7.5 Start-Up Package 20
7.6 Staff Training Courses 20
7.7 Continuing Assistance 21
7.8 Convention 21
7.9 Proprietary Materials 21
7.10 Equipment, Tools, Supplies and Inventory 21
7.11 Initial Promotion and Advertising 22
8. OPERATION OF BUSINESS 22
8.1 Franchisee Operational Requirements 22
8.2 Manual and Handbook 26
8.3 Local Area Marketing 27

8.4 Telephone Numbers and Advertising 27
8.5 Insurance 28
8.6 Reporting, Data, Records and Rights of Inspection 28
8.7 Review 30
8.8 Compliance with Laws 30
8.9 Pricing 31
8.10 No Competing Businesses 31
8.11 Franchisor's Web Site 33
8.12 E-mail, Internet, Social Media and Other Media 34
8.13 Electronic Commerce 35
8.14 Franchisor Electronic Portal 35
8.15 Change in Status Processing 36
8.16 Key Accounts 36
8.17 Computer and Software 37
8.18 Vendor Allowances 37
8.19 Privacy 37
8.20 PCI DSS Compliance 38
8.21 Nondisclosure and Confidentiality 39
8.22 Minimum Gross Revenue Volume 39
9. ASSIGNMENT 39
9.1 Assignment by Franchisor 39
9.2 Assignment by Franchisee 40
9.3 Right of First Refusal 42
9.4 Transfers to Family Members 42
9.5 Transfers to Affiliated People 42
9.6 Transfers Upon Death or Incapacity 43
10. DEFAULT AND TERMINATION 43
10.1 General 43
10.2 Termination Without Opportunity to Cure 44
10.3 Termination Subject to Opportunity to Cure 45
10.4 Description of Default 46
10.5 Statutory Limitations 46
10.6 Alternative Remedies 46
11. DISPUTE RESOLUTION 46
11.1 Alternate Dispute Resolution 46
11.2 Disputes Not Subject To Alternate Dispute Resolution 47

11.3 Option to Mediate Dispute 47
11.4 Arbitration 47
11.5 Business Judgment 48
11.6 Venue, Submission to Court, Limitation of Damages 49
11.7 Independence of Provisions 49
12. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION 50
12.1 Franchisee's Obligations following Termination or Expiration 50
12.2 Rights of Franchisor 51
12.3 Franchisor's Right to Cure Defaults by Franchisee 51
12.4 Waiver and Delay 52
12.5 Attorney Fees and Expenses 52
13. GENERAL CONDITIONS AND PROVISIONS 52
13.1 Relationship of Franchisee to Franchisor 52
13.2 No Liability 52
13.3 Indemnity 53
13.4 Survival of Covenants 53
13.5 Successors and Assigns 53
13.6 Joint and Several Liability 53
13.7 Counterparts 53
13.8 Notices 53
13.9 Franchisor’s Discretion 54
14. CONSTRUCTION OF AGREEMENT 55
14.1 Governing Law 55
14.2 Entire Agreement 55
14.3 Modification 55
14.4 Titles for Convenience Only 55
14.5 Gender 55
14.6 Severability 56
14.7 No Third Party Beneficiaries 56
14.8 Examples Not Exclusive 56
14.9 "Person" Inclusive 56
15. SUBMISSION OF AGREEMENT 56
16. ACKNOWLEDGMENTS AND REPRESENTATIONS OF FRANCHISEE 57
16.1 Certain Acknowledgments and Representations of Franchisee 57
16.2 Additional Information Respecting Franchisee 58

STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT
SCHEDULES:
1: Personal Covenant and Guarantee
2: Description of Territory
3: THE TAILORED CLOSET® Start-up Package
4: Schedule of Names and Addresses of Owners and Principal Officers

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is entered into as of ___ ("Effective Date"), between Organized Spaces, LLC, a California limited liability company ("Franchisor"),and _____, a(n) _____ proposing to do business in the state of _____ as The Tailored Closet_____ ("Franchisee"). Franchisee will begin operation under this Agreement on _____ ("Operating Date").

RECITALS

A. Franchisor is engaged in the administration and development of programs for the operation of Organizer Businesses using the System and Marks, as well as other proprietary information owned by, and identified with, Franchisor. Franchisor is the owner of the Marks, the System, and all rights in respect of each of them. Franchisor's activities in general, and its franchise program in particular, are undertaken to develop, maintain, and enhance the Marks and Franchisor's overall reputation in Organizer Businesses.

B. Franchisee wishes to be franchised by the Franchisor to use the System, the Marks, and the goodwill of Franchisor to conduct the Franchised Business. Franchisor is willing to grant to Franchisee a franchise for the System and the Marks, in accordance with the provisions of this Agreement, the Manual, as amended from time to time, on the terms and conditions set forth below.

C. Franchisee acknowledges that, in the administration of this Agreement and in taking actions with respect to its relationship with Franchisee, Franchisor must take into account the needs of all people operating under the Marks, the effect upon those people as a whole, and the need to protect the Marks for the benefit of those people and Franchisor.

1. DEFINITIONS

1.1 Action

"Action" means a suit, proceeding, claim, demand, investigation, or inquiry, whether formal or informal.

1.2 Affiliate

An "Affiliate" of Franchisor or Franchisee, as the case may be, means all people in the following categories when they are conducting business activities related to Franchisor or Franchisee: (a) all people who Control, are Controlled by, or are under common Control with, Franchisor or Franchisee; (b) all direct or indirect shareholders, partners, members, or owners of Franchisor or Franchisee, regardless whether they Control Franchisor or Franchisee; and (c) all officers, directors, employees, and agents of Franchisor or Franchisee and of Franchisor's or Franchisee's other Affiliates.

1.3 Business Entity

"Business Entity" means a corporation, a general or limited partnership, a limited liability company or any other type of business entity.

1.4 Company-Owned Operation

"Company-Owned Operation" or "COO" means a business or businesses similar to some or all aspects of the Franchised Business owned and operated by Franchisor or its Affiliate for its own account.

1.5 Control

"Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract, or otherwise.

1.6 Crisis Management Event

"Crisis Management Event" means any event that occurs at or otherwise involves the Franchised Business, or that occurs generally at a local, regional, national or even global scale, which has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other similar circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

1.7 Event of Default

"Event of Default" means any breach of this Agreement, including without limitation, those breaches expressly described in this Agreement.

1.8 Franchised Business

"Franchised Business" means maintaining and operating an Organizer Business in the Territory, in accordance with the System and using the goodwill associated with the Marks, all upon the terms and conditions stated in this Agreement. For purposes of this Agreement, a customer is located in the Territory if the location where the Franchised Business's services will be performed is located in the Territory.

1.9 Gray Area

"Gray Area" means an area that is not part of any other franchisee's territory, nor an area served by the Company-Owned Operation.

1.10 Gross Revenue

"Gross Revenue" means the aggregate of all revenues, sales and other income of Franchisee from whatever source derived, including Gray Area, regardless of whether collected by Franchisee, arising out of, in connection with or relating to the Franchised Business including, without limitation, (a) income from the sale of any products or other items; (b) income from any services provided; and (c) all proceeds from any business interruption insurance, but excluding (i) all refunds and discounts made in good faith to a customer; (ii) any sales, use, retail sales and equivalent taxes which are collected by Franchisee for or on behalf of any governmental or other public body and actually remitted to such body; and (iii) the value of any coupon, voucher or other allowance authorized by Franchisor and issued or granted to customers of Franchised Business which is received or credited by Franchisee in full or partial satisfaction of the price of any product or service offered in connection with the Franchised Business. Franchisor reserves the right to institute policies in the Manual or otherwise in writing and from time to time, regarding the inclusion in Gross Revenue of any pre-paid goods and services (including, without limitation, gift cards and gift certificates) and delivery and redemption thereof.

1.11 Indemnified Parties

"Indemnified Parties" means Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, attorneys, accountants, employees, successors and assigns.

1.12 Key Account

"Key Account" means any (a) potential or existing customer that has multiple sites, offices, or retail premises across two or more franchised territories, (b) any home improvement retail or wholesale outlet, construction company, contractor, or similar business whose clientele includes potential customers for space organizers across two or more territories, and (c) referral sources that offer to refer customers across two or more franchised territories to Franchisor for a fee.

1.13 Losses and Expenses

"Losses and Expenses" means all compensatory, exemplary, incidental, consequential, or punitive damages (including lost profits); all fines, charges, costs, or expenses imposed by courts or other governmental authorities or by arbitrators; reasonable attorneys' fees and all court or arbitration costs, settlement amounts, or judgments relating to litigation or arbitration; compensation for damages to Franchisor's reputation and goodwill; costs of or resulting from Franchisee's delays, costs of any necessary corrective advertising material and media time/space, and costs of changing, substituting or replacing advertising; and all expenses of recall, refunds, compensation to third parties, public notices, and other similar amounts incurred in connection with the matters for which Losses and Expenses are to be paid.

1.14 Manager

"Manager" means the employee or agent of Franchisee who has been designated by Franchisee as the person responsible for the day-to-day operation of the Franchised Business and who has successfully completed initial training. If Franchisee is an individual, Franchisee may be the Manager.

1.15 Manual

"Manual" means and collectively includes all manuals, policy statements, directives, bulletins and memoranda that contain prescribed or recommended standards, procedures, policies and advice (i.e., brand standards) relating to a Franchised Business's operation and management and to marketing the Products and services as sold by Franchised Businesses. The Manual discloses certain elements of Franchisor's proprietary System, and its contents are and will remain Franchisor's trade secrets and exclusive property.

1.16 Marks

"Marks" refers to and includes (i) the "The Tailored Closet" service mark and logo, (ii) the "The Tailored Closet" trade name, (iii) the elements and components of The Tailored Closet trade dress and (iv) any and all additional, different or replacement trade names, trademarks, service names, service marks, trade dress, logos and slogans that Franchisor adopts from time to time to identify the System and the Products and services offered by Franchised Businesses.

1.17 Materials

"Materials" means all forms, contracts, agreements, signs, displays, stationery, and other items permitted or required by Franchisor to be used in the operation of the Franchised Business.

1.18 Organizer Business

"Organizer Business" means the retail business of design, sale, and installation of organizing units and storage and organizing accessories for closets, pantries, home offices, storerooms, utility rooms, basements, laundry rooms and attics.

1.19 Owner

"Owner" means each person having direct or indirect Control or direct or indirect beneficial ownership interest in Franchisee.

1.20 Privacy Law

"Privacy Law" means any international, national, federal, provincial, state, or local law, code, rule or regulation that regulates the processing of Client Information in any way, including data protection laws such the California Consumer Protection Act of 2018 and other similar laws, rules or regulations, laws regulating marketing communications and/or electronic communications such as the CAN-SPAM Act and "Do Not Call" laws, rules and regulations, information security regulations, the most current Payment Card Industry Data Security Standard, ISO 27001, ISO

27002, and security breach notification rules.

1.21 Showroom

"Showroom" means a fixed retail location for the display and/or sale of products and services associated with the Franchised Business.

1.22 System

"System" means a comprehensive marketing and operational system, as amended from time to time, prescribed by Franchisor to be used in the conduct of the Franchised Business, as described in this Agreement, the Manual. The System includes, among other things, the Marks and certain advertising, marketing and sales programs and techniques, Franchisor-controlled telephone numbers, training programs and materials, artwork, graphics, and layouts, slogans, names, and titles, text, and other intellectual property that Franchisor makes available to Franchisee. Franchisor, in its sole discretion, may improve and/or change the System from time to time (including adding to, deleting, or modifying elements of the System, establishing categories or classifications of franchisees, and amending the Manual) for the intended purpose of making the System more effective, efficient, economical, or competitive, adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions, enhancing the reputation or public acceptance of the System, and/or better serving the public.

1.23 Territory

"Territory" means the geographic area described in the attached Schedule 2, which is defined by U.S. Postal Service ZIP Codes (the boundaries of which are subject to adjustment by the Postal Service). On the Effective Date, the Territory consists of a minimum of 100,000 households, but the number of households (and the number of people per household) is subject to growth and shrinkage over the Term.

1.24 Transfer

"Transfer" means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of (1) the Franchise, this Agreement or any interest in or right under this Agreement, or of all or substantially all of the assets of Franchisee's Franchised Business or in an interest therein, including (a) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (b) any transfer upon Franchisee's death or the death of any person having Control of Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession; or (b) any foreclosure upon Franchisee's Franchised Business or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee's Franchised Business or (2) of any direct or indirect Control in Franchisee or revenues or income of Franchisee's Franchised Business, including (a) any transfer, redemption or issuance of a legal or beneficial Control in Franchisee or any Business Entity that has a Control in Franchisee or of any interest convertible to or exchangeable for a legal or beneficial ownership interest in Franchisee or any Business Entity that

has Control in Franchisee; (b) any merger or consolidation between Franchisee or any Business Entity that has Control in Franchisee and another Business Entity, whether or not Franchisee is the surviving Business Entity; (c) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (d) any transfer upon Franchisee's death or the death of any of the Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (3) any foreclosure upon Franchisee's Franchised Business or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee's Franchised Business. No Person (including any employee or independent contractor) may hold any Control in Franchisee's Franchised Business other than an undivided interest in the Franchise as a whole, and then only in compliance with the transfer restrictions in this Agreement.

2. THE FRANCHISED BUSINESS

2.1 Grant of Franchise

Franchisor grants to Franchisee, and Franchisee accepts, a franchise ("Franchise") to participate in and use the System by conducting the Franchised Business solely within the Territory in strict accordance with this Agreement and the Manual, from the Operating Date until the end of the Term, unless sooner terminated. **Nothing contained in this Agreement may be interpreted as a guarantee of success.** Franchisee retains the right to conduct businesses and perform services other than the Franchised Business, but subject to the restrictions on engaging in competitive activities under Section 8.10, and subject to all other applicable provisions of this Agreement and the Manual. Franchisee may not use the Marks, all or any part of the System, or any of Franchisor's other proprietary information in connection with any other businesses or services without the express prior written permission of the President or other executive officer of Franchisor, which permission, if granted, will bring the other businesses or services within the scope of the Franchised Business.

2.2 Limited Exclusivity

(a) Except as provided in paragraphs (b), (c), (d) and (e) of this section, during the Term, Franchisor will not establish or operate within the Territory, or license any third party to establish or operate within the Territory, any other Organizer Business using the System and the Marks.

(b) Franchisee may not contract with Key Accounts. Franchisee agrees that, from time to time, Franchisor may enter into agreements with Key Accounts that contemplate performance in multiple territories, including the Territory, of sales and/or installations of, or other services regarding, organizing units and storage. If Franchisee wishes to service Key Accounts in the Territory as Franchisor's subcontractor, it shall sign Franchisor's then-current Master Services Agreement which shall govern all work performed by Franchisee for Key Accounts. Franchisee may choose whether to service any particular Key Account on a case by case basis. If Franchisee chooses to opt out with respect to any Key Account in the Territory, or if Franchisee fails to provide sales, installations, or other services to a particular Key Account in the Territory on any two occasions in a 12-month period, Franchisor may provide or grant others the right to provide sales, installations, or other services with respect to that particular Key Account in the Territory for the

remainder of the term.

A customer in the Territory with a job that is too large for Franchisee to undertake or that Franchisee chooses not to service shall be deemed to be a Key Account for purposes of this Section 2.2(b) even if that Key Account is limited to the Territory.

(c) Franchisee acknowledges that, from time to time, opportunities may arise to participate in joint marketing efforts with other THE TAILORED CLOSET® franchisees. If Franchisee is afforded the opportunity to participate in joint marketing efforts but declines to do so, the participating THE TAILORED CLOSET® franchisee must offer any leads for the Territory generated as a result of the joint marketing effort to Franchisee on reasonable terms and conditions (including maximum lead fees per referral) specified from time to time in the Manual. If the participating franchisee complies with Franchisor's guidelines on the offering terms for the leads and Franchisee declines to accept the lead on the terms offered, then the participating franchisee will not be required to turn over the lead to Franchisee and the participating franchisee may instead work the lead in the Territory without compensation to Franchisee.

(d) Franchisee agrees that if, as a result of Franchisee's default of this Agreement and as an alternative to termination, Franchisor withholds customer leads generated on Franchisee's behalf by Franchisor as described in sections 8.11(e) and 10.6 of this Agreement, Franchisor may provide or grant other franchisees the right to provide sales, installations or other services with respect to those customer leads in the Territory until Franchisee cures the breach.

(e) Except to the limited extent expressly provided in paragraph (a) of this section the rights granted to Franchisee under this Agreement are non-exclusive and Franchisor expressly reserves all other rights, including the exclusive, unrestricted rights, directly and indirectly, itself and through its employees, representatives, franchisees, licensees, assigns, agents, and others: (i) to own and operate, and to franchise others to own and operate, Organizer Businesses using the System and the Marks at any location outside the Territory, (ii) to solicit, sell to, and service Key Accounts and the clients of those Key Accounts, wherever located (including within the Territory), subject to compliance with paragraph (b) of this Section 2.2 and Section 8.16, (iii) to acquire or be acquired by a company that operates and/or licenses Organizer Businesses within the Territory without using the System and the Marks, (iv) to acquire or be acquired by a manufacturer of products associated with organizer activities, (v) to sell organizing units and storage and organizing accessories for closets, pantries, home offices, storerooms, utility rooms, basements, laundry rooms and attics through any other means that do not involve both the System and the Marks (including within the Territory), and (vi) to advertise and promote the System and the Marks at any location within or outside the Territory.

2.3 Reserved Rights

Nothing contained in this Agreement will accord Franchisee any right, title or interest in or to the Marks, System, operational techniques, service concepts, proprietary information, or goodwill of Franchisor, except only those rights granted by this Agreement.

2.4 Area and Scope of Operation

Franchisee will only conduct its Franchised Business within the Territory and Franchisee's warehouse and any other facilities must be located within the Territory.

Except as to Gray Area, Franchisee may provide sales and services only with respect to locations within the Territory. Franchisee must (i) diligently and effectively promote, market, and engage in the Franchised Business within the Territory, (ii) develop, to the best of its ability, the potential for the Franchised Business from within the Territory, (iii) operate the Franchised Business so as to maximize the total Gross Revenue of the Franchised Business, and (iv) devote and focus its full-time attention and efforts to that promotion and development.

Unless otherwise instructed by Franchisor, Franchisee may operate in Gray Area. Any operations in Gray Area are subject to sale of the territory to another franchisee, to initiation of a Company-Owned Operation in the Gray Area, and to Franchisor's rules and regulations, including that Gray Area Gross Revenue shall be combined with the Gross Revenue of a particular territory owned by Franchisee for purposes of calculating Continuing Royalty, and any advertising in Gray Area (including in telephone directories) can only include Franchisor's toll-free telephone number, and not the local telephone number of Franchisee. Franchisor reserves the right to impose a different Continuing Royalty calculation for sales in Gray Area.

Franchisee does not receive any right of first refusal or other rights of any type to a Gray Area by virtue of operations in that Gray Area. Franchisor may sell any Gray Area territory at any time, without advance notice to Franchisee. Upon notice from Franchisor, Franchisee will immediately cease all marketing activities in any Gray Area. Franchisor may give a notice to cease marketing without regard to whether the Gray Area has been sold to another franchisee. After Franchisor gives notice to cease marketing, Franchisee may (for a maximum of 30 days) complete installations of space organizers for which orders were completed before Franchisor gave Franchisee notice to cease marketing in the area.

Franchisee's Initials: _____

3. LOCATION OF BUSINESS

3.1 Principal Place of Business

Franchisee's principal place of business is at the following location:

3.2 Office/Warehouse

Unless Franchisee operates the Franchised Business from a Showroom which has the capacity to accept delivery of products before installation, Franchisee will secure an office/warehouse in the Territory at which (among other things) Franchisee shall accept delivery of products before installation. As customers may on occasion have reason to visit Franchisee's office/warehouse, the location must be in a safe and desirable location within the Territory.

3.3 Showroom

Franchisee does not have to establish a Showroom, but if it decides to do so: (i) the Showroom must be located within the Territory; (ii) Franchisee must ensure the Showroom complies with Franchisor's written specifications and other requirements for Showrooms set forth in the Manual; and (iii) the Showroom requires Franchisor's prior written approval. If Franchisee wishes to establish a Showroom, Franchisee will find and submit to Franchisor, for Franchisor's approval, a location for the Showroom and such information regarding the Showroom location as Franchisor may require.

Franchisor will have 14 days from receipt of all the requested information to approve or disapprove the Showroom location. Franchisor has the right to grant or withhold approval of any proposed Showroom location in its business judgment. Any proposed relocation of the Showroom in the future will be subject to the same approval process as set forth above. Franchisee acknowledges and agrees that Franchisor's consent to the location, and any information regarding the location communicated to Franchisee regarding the standard site selection criteria for Showroom locations, does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the location for a Showroom or for any other purpose. Franchisor's recommendation or consent to the location indicates only that Franchisor believes that the location falls within the acceptable criteria for Showroom locations that Franchisor has established at the time of the consent to the location. Franchisee acknowledges and agrees that Franchisee's selection of the location is based on Franchisee's own independent investigation of the suitability of the location and that Franchisor's approval is not a guarantee or promise of success.

Franchisee may display and offer for sale all products that have been approved for sale by franchisees of Franchisor. Unless otherwise approved in writing by Franchisor (which consent may be withheld arbitrarily or otherwise in Franchisor's sole discretion), Franchisee may not sell any products other than products that have been approved for sale by all franchisees of Franchisor. Franchisee acknowledges that Franchisor may have other franchisees in the same general area of Franchisee's Showroom and that Franchisor may consider the interests of all franchisees in deciding whether to allow additional products to be sold from the Showroom.

To ensure no sales are made in the territories of other franchisees and to avoid misunderstandings when customers are quoted a price for products that are different than the prices of other franchisees, Franchisee must as a preliminary matter first determine if the customer is from another franchisee's contracted territory. If so, Franchisee must refer the customer to the franchisee in whose territory the customer is located and provide such franchisee's name and contact information and must not quote any prices, sales terms or other information to the customer. Franchisee will not be compensated for these referrals but will provide them as a means

to protect the goodwill of the THE TAILORED CLOSET® brand and the Marks.

4. PAYMENTS BY FRANCHISEE

4.1 Franchise Fee

If Franchisee is not a party to another franchise agreement with Franchisor, Franchisee will pay to Franchisor an Initial Franchise Fee of $19,950. Franchisee will receive the THE TAILORED CLOSET® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable.

4.2 Territory Fee

If Franchisee is purchasing the Territory from Franchisor (rather than an existing franchisee) Franchisee also will pay Franchisor a Territory Fee of $55,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.

4.3 Continuing Royalty

(a) Throughout the Term of this Agreement, Franchisee will pay a Continuing Royalty calculated each month in arrears equal to the greater of: (a) five (5) percent of Gross Revenue; or (b) a minimum monthly Continuing Royalty of $500 per territory for the first 12 months of the Term and $1,000 per territory thereafter.

Gross Revenue for work performed in Gray Area is to be included. Franchisor reserves the right to impose a different Continuing Royalty calculation for Gray Area sales.

Gross Revenue is recognized during the month that is the earlier of the date when payment of the final invoice is received or 90 days after a final invoice is issued to the customer. If Franchisee has issued previous invoices to the customer prior to the final invoice, the aggregate amount of all previous invoices and the final invoice shall be reported as Gross Revenue for the prior month.

If Franchisee renews this Agreement, the amount of the Continuing Royalty throughout the renewal term will be the Continuing Royalty provided for in the then-current form of Franchise Agreement being issued by Franchisor.

(b) Payments of Continuing Royalty are not refundable.

4.4 National Advertising Fund

(a) Throughout the Term of this Agreement, Franchisee will pay to Franchisor a monthly National Advertising Fee equal to the greater of: (a) one percent (1%) of Franchisee's monthly Gross Revenue for the previous month; or (b) $250 per month per territory. Monthly National Advertising Fund payments are paid in arrears. Franchisor may increase this amount but not above

the greater of 2% of Franchisee's monthly Gross Revenue or $500 per month per territory.

(b) Payments of National Advertising Fee are not refundable.

(c) Franchisor may in the future establish the THE TAILORED CLOSET® National Support Services Network, under which qualified representatives will be able to respond to inquiries from customers of THE TAILORED CLOSET® franchisees. The costs for these services may be reimbursed partially or wholly from the National Advertising Fund ("Fund"). On a national or regional basis, Franchisor may impose an additional assessment upon some or all of its franchisees for special designated advertising or promotional activities, if 2/3 of all affected THE TAILORED CLOSET® franchisees agree to that assessment in writing.

(d) The National Advertising Fees will be contributed to the Fund for such national, regional, local and other advertising and public relations programs and initiatives as Franchisor, in its sole discretion, may deem necessary or appropriate for the promotion or protection of the System. The Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to Franchisee, or to any franchisees, with respect to the Fund. Franchisor has the absolute right to direct the creative concepts, materials, endorsements and media used in the advertising and public relations programs, as well as the placement and allocation of the programs.

(e) The Fund will be used and expended for website development and maintenance, public relations, media costs, commissions, Internet marketing, market research costs, creative costs and production costs including, without limitation, the costs of creating promotions and artwork, printing costs and other costs relating to advertising, promotional and public relations programs and initiatives undertaken by Franchisor, and, in Franchisor's sole discretion, the costs, expenses, settlements or judgments to resolve claims, complaints, or lawsuits by customers of franchisees when Franchisor determines such resolution is necessary or appropriate to protect the reputation or goodwill of the System, the Marks, or Franchisor. Franchisor reserves the right to place and develop such advertisements and promotions and to market on behalf of the System, either directly or through advertising agencies retained or formed for such purpose.

(f) The Fund will be accounted for separately from the other funds of Franchisor. The Fund may not be used to defray any of Franchisor's general operating expenses, except for any reasonable salaries that Franchisor may incur in activities reasonably related to the Fund's advertising and promotional programs (including, without limitation, conducting market research, managing programs supported by the Fund, and retaining outside agencies), and an administrative fee of 15% of the annual aggregate National Advertising Fees received by Franchisor. Any sums remaining in the Fund at the end of a fiscal year must carry over in the Fund to the next fiscal year.

(g) Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of businesses for the benefit of the System as a whole, and that Franchisor undertakes no obligation in administering the Fund to ensure that any particular Franchisee benefits directly or pro-rata from the placement or conduct of such advertising and promotion.

(h) The Fund may not be used for any initiative intended solely to market the sale of franchises. Franchisee acknowledges and agrees, however, that certain activities supported by the

Fund, including, without limitation, maintenance of the website, public relations activities, and community involvement activities, may include information about franchising opportunities.

(i) No interest on unexpended National Advertising Fees will be imputed for the benefit of or payable to Franchisee and no interest on Franchisor expenditures in excess of National Advertising Fees collected will be imputed for the benefit of, or payable to, Franchisor.

(j) Franchisor will determine the cost, form of media, content, format, production, timing, location (including regional or local concentration and seasonal exposure) and all other matters relating to advertising, public relations, and promotional campaigns.

(k) On or before March 31 of each year, if requested in writing by Franchisee, Franchisor will deliver to Franchisee a summary statement of receipts and expenditures of the Fund relating to the preceding calendar year, certified to be correct by an officer of Franchisor.

4.5 Technology Fee

Throughout the Term of this Agreement, Franchisee will pay Franchisor, in advance, a monthly Technology Fee in the amount specified in the Manual. Franchisor may increase the Technology Fee by up to 3% annually. The Technology Fee is applied towards the cost of operating, upgrading and supporting Franchisor's technology platforms including Franchisor's customer relations management software. Because changes to technology are dynamic and not predictable within the Initial Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, the Technology Fee is subject to change from time to time. Payments of Technology Fee are not refundable.

4.6 Convention Fee

Franchisor may hold a convention of franchisees on an annual basis or at such other interval as Franchisor may from time to time determine ("Convention"). Franchisee will pay Franchisor a Convention registration fee ("Convention Fee") for one individual to attend Convention. The amount of the Convention Fee will vary depending upon the location of the city and venue where the Convention will be conducted. The Convention Fee is payable in advance and may be charged monthly. The Convention Fee does not cover the costs associated with travel, lodging or other miscellaneous expenses associated with the Convention. Convention Fees for additional persons attending Convention will be collected at time of registration. The Convention Fee is not refundable.

4.7 Means and Time of Payment

Franchisee must authorize Franchisor to withdraw Continuing Royalty fees, National Advertising Fees, Technology Fees and all other fees due under this Agreement directly from Franchisee's bank account. Funds to cover fees must be available for withdrawal from Franchisee's bank account from the first day of each month in which payment is due. Franchisee must immediately make arrangements with its bank to authorize these withdrawals. Franchisee must sign any document required by Franchisor to enable its payment to Franchisor of Continuing

Royalties, National Advertising Fees, Technology Fees and any other ongoing fees by electronic funds transfer, pre-arranged draft, sweep of its bank account or any other method of funds transfer, at Franchisor's option. Franchisee will authorize Franchisor and its bank to debit Franchisee's account directly for the payment of all Continuing Royalty fees, National Advertising Fees, Technology Fees and all other payments due under this Agreement by signing and delivering an Authorization Agreement for Pre-Authorized Payments in the form attached as Exhibit I to this Agreement.

4.8 Late or Insufficient Funds Fee

Late or dishonored payments or payments not paid in full due to insufficient funds will be subject to a late or insufficient funds fee in the amount specified in the Manual, not to exceed $500.

4.9 Late Reporting Administrative Fee

If Gross Revenues are not timely reported as required under Section 8.6(b) and the Manual, a late reporting administrative fee will be assessed in the amount set forth in the Manual, not to exceed $500.

4.10 No Accord or Satisfaction

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due under this Agreement, the payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No statement on any payment or in any letter accompanying any payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.11 Fees for Optional Referrals

Unless Franchisee has advised Franchisor in writing of its election not to participate in a particular referral program or Key Account program, Franchisee must pay the referral fees required by the program for any customer referrals Franchisee receives from the program. All referral fees payable as a result of Franchisee's participation in a particular referral program managed by Franchisor are payable to Franchisor at the times specified for the program, but no more frequently than monthly.

4.12 Consumer Price Index

Each fixed amount payable under this Agreement may be increased on April 1 annually by the increase, if any, in the Consumer Price Index for All Urban Consumers for the prior year ended December 31.

5. TERM

5.1 Initial Term

The initial term of this Agreement ("Term") is ten (10) years from the Operating Date, unless sooner terminated under the provisions of this Agreement.

In the event this Agreement is executed in connection with a renewal of an existing franchise agreement or with the grant of a second additional term, Section 5.2 below is deemed deleted and is of no force or effect.

5.2 Additional Term

(a) Subject to the terms and conditions contained in this Section 5.2, Franchisee may extend its franchise relationship for two additional, consecutive five-year terms, upon the following conditions:

(i) Franchisor will notify Franchisee of the expiration date of the Term of this Agreement and will transmit to Franchisee a copy of its then current franchise agreement and franchise disclosure document approximately 180 days before the expiration of the Term.

(ii) After receipt by Franchisee of the then current franchise agreement complete in all material respects, but not later than 30 business days after receipt by Franchisee of the notice, franchise agreement and disclosure document, Franchisee will sign and return the then current franchise agreement. Upon receipt, Franchisor will sign one copy and return it to Franchisee. The new agreement will become effective concurrently upon expiration of the Term of this Agreement. If Franchisee fails or refuses to sign and return to Franchisor the new franchise agreement within the time frame stated in this section, all of Franchisee's rights and options to enter into an additional franchise agreement will expire.

(iii) Franchisee will pay a $5,000 renewal fee at the time the new franchise agreement is signed by Franchisee. If Franchisee is renewing two (2) or more franchise agreements at the same time, the renewal fee is $2,500 per franchise agreement.

(iv) On the Operating Date of the new franchise agreement, Franchisee and its Affiliates may not be in default under this or any other agreement with Franchisor and its Affiliates, and Franchisee must have materially performed all of its obligations under this Agreement over the life of this Agreement.

(b) If Franchisor ceases granting franchises in the state in which the Franchised Business is operating, Franchisor will notify Franchisee at least 180 days before the expiration of the Term of that cessation, whereupon Franchisee's right to enter into a new franchise agreement

will be terminated in its entirety at the end of the Term.

(c) If Franchisor determines not to grant an additional franchise agreement by reason of a default by Franchisee which is incurable or has not been cured by Franchisee within the applicable time period or failure of Franchisee to fully perform its obligations under this Agreement, Franchisor will give Franchisee notice of its intention not to grant an additional term (i) within the minimum time required by the jurisdictional authorities, or (ii) in the absence of a specific period, within 30 days after Franchisee gives its notice of its wish to enter into a new franchise agreement but not less than 90 days before the termination date of this Agreement.

(d) After the signing by Franchisee of a subsequent franchise agreement, and before the effective date of the new franchise agreement, Franchisee will bring its Franchised Business into full compliance with the standards then applicable to new THE TAILORED CLOSET® franchisees.

5.3 Holdover Term

If the parties have not executed a renewal franchise agreement prior to the expiration of the Initial Term, but the Franchisee continues to operate the Franchised Business and the Franchisor accepts any fees or otherwise permits such continued operation, the, unless otherwise agreed in writing, the Franchisee shall be deemed to be operating on a month-to-month basis pursuant to the terms and conditions of the expired franchise agreement. Either party may terminate the month-to-month arrangement at any time upon thirty (30) days' prior written notice to the other party. The existence of this holdover period shall not be construed as a waiver of Franchisor's right to enforce any provision of the expired franchise agreement or as a commitment to renew or extend the franchise relationship.

5.4 Notice of Expiration Required by Law

If applicable law requires that Franchisor give a longer period of notice to Franchisee than provided in this Agreement prior to the expiration of the Term, Franchisor will give the additional required notice. If Franchisor does not give the required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received the required additional notice.

6. INTELLECTUAL PROPERTY

6.1 Marks

(a) Franchisor grants to Franchisee the right during the Term to use and display the Marks in accordance with the provisions contained in this Agreement and in the Manual, solely in the operation of the Franchised Business. Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services used by Franchisee in which the Marks are used. Franchisee agrees to be responsible for and to supervise all of its employees and agents to insure the proper use of the Marks in compliance with this Agreement. Franchisee will use the Marks solely in the Franchised Business and may not use or display the

Marks in the operation of any business, the performance of any other service, or the conduct of any other activity outside the scope of the Franchised Business. Franchisee agrees that all of Franchisee's use of the Marks under this Agreement inures to the benefit of Franchisor. Nothing in this Agreement will give Franchisee any right, title, or interest in or to any of the Marks, except a mere privilege and franchise during the Term to display and use the Marks strictly according to the limitations provided in this Agreement and the Manual. Franchisee agrees that all art work, graphics, layouts, slogans, names, titles, text, or similar Materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, its employees, agents and subcontractors and any other party with whom Franchisee contracts to have the Materials produced will become the sole property of Franchisor, including copyright and trademark rights, and Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors, and any other party with whom it may contract to have the Materials produced, to promptly sign any and all appropriate documents in this regard. Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee will consent in writing to the cancellation and will join in any cancellation petition. The expense of any of the foregoing recording activities will be borne by Franchisor.

(b) Franchisor has advised Franchisee that the name "THE TAILORED CLOSET®" may have been used by other people in the conduct of an Organizer Business prior to Franchisor's registration of its Mark and that those prior users may have the legal right to continue to use the name "THE TAILORED CLOSET®" in the geographical area in which they have used it. Franchisor has further advised Franchisee that the mechanisms for determining whether a particular trade name is being used by another person (i) vary substantially from locale to locale and Franchisor cannot assure Franchisee that the name "THE TAILORED CLOSET®" is not currently being used in the Territory; (ii) may require a search of local trademark and Mark registration records, fictitious business name filings, or both, or some other records maintained by city, county, or state agencies or entities; and (iii) may be imperfect and fail to reveal some protected uses. Franchisee understands that, before signing this Agreement and accepting the Territory, Franchisee should have obtained advice from local counsel regarding the appropriate search and protection mechanisms and have conducted an appropriate search and investigation in the Territory to determine whether there is any prior user of the name "THE TAILORED CLOSET®".

(c) The name "THE TAILORED CLOSET®" may be in use by other businesses in the United States who are not Franchisor's franchisees or in any way affiliated with Franchisor. Franchisee acknowledges that Franchisee is responsible for finding out whether the name "THE TAILORED CLOSET®" is already being used in the Territory. As a material part of the consideration for Franchisor's grant of a franchise to Franchisee, Franchisee waives any claim that Franchisor is liable to Franchisee for damages or losses resulting from any prior use of the name "THE TAILORED CLOSET®" by anyone else. Nothing in the preceding sentence, however, will be considered to limit a party's respective obligations under Section 6.6 below.

6.2 <u>Acts in Derogation of the Franchisor's Rights</u>

(a) Franchisee agrees that the Marks are the exclusive property of Franchisor. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or

ownership by virtue of Franchisee's licensed use of the Marks or otherwise. Ownership and title of the Marks and Franchisor's manuals, bulletins, instruction sheets, forms, methods of operation, and goodwill are and will remain vested solely in Franchisor, and Franchisee's right of use is only co-extensive with the Term of this Agreement. Franchisee acknowledges that the material and information now and from now on provided and/or revealed to Franchisee under this Agreement (including the contents of the Manual) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee will keep and respect the confidences so reposed, both during and after the Term of this Agreement. Franchisor expressly reserves all rights with respect to the Marks, confidential trade secrets, methods of operation, and other proprietary information, except as expressly granted to Franchisee in this Agreement or in the Manual. Franchisor will disclose its trade secrets to Franchisee by loaning to Franchisee for the Term of this Agreement the Manual and other written materials containing the trade secrets, through training and assistance provided to Franchisee, and by and through the performance of Franchisor's other obligations under this Agreement. Franchisee acknowledges that Franchisor is the sole owner of all proprietary information and trade secrets, that the information is being imparted to Franchisee only by reason of its special status as a Franchisee of the System, and that the trade secrets are not generally known to the space organizer industry or public at large and are not known to Franchisee except by reason of the disclosure. Franchisee further acknowledges that it will acquire no interest in the trade secrets, other than the right to use them in the development and operation of the Franchised Business during the Term of this Agreement. In addition, Franchisee acknowledges that the use or duplication of the trade secrets except as expressly permitted by this Agreement will constitute an unfair method of competition and that Franchisor will suffer irreparable injury by it. Franchisee agrees that it will not do or permit any act or in derogation of any of the rights of Franchisor in the Marks, either during or after the Term of this Agreement, and that Franchisee will use the Marks only for the uses and in the manner franchised under and as provided in this Agreement. Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that impairs the goodwill associated with the Marks.

(b) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs, and other display materials, on its letterheads, business forms, and at all authorized business sites, in all of its business dealings related to them and to the general public, it will identify the Franchised Business under a fictitious business name, approved by Franchisor, together with the words "AN INDEPENDENTLY OWNED AND OPERATED FRANCHISEE" or any other similar designation that is prescribed by Franchisor, all in the form, size, and style as prescribed in the Manual. In its sole discretion, Franchisor retains the right to deny the use of certain words or phrases in the fictitious business name. Franchisee will file and keep current a "Fictitious Business Name Statement" (or similar document) with respect to its fictitious business name in the county or other designated region in which Franchisee is conducting business and at any other places as may be required by law. Prior to beginning business under the Marks, Franchisee will supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious business names. Franchisor must approve in advance the total appearance of the fictitious business name (and other identifying words). Franchisee further agrees that it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, joint venturer, agent, or employee of Franchisor or other owner of the Marks or (iii) any of Franchisor's other franchisees. If Franchisee is a corporation, Franchisee will not use in its corporate name either the Marks or any words confusingly similar thereto.

6.3 Use and Modification of Marks

Franchisor may add to, substitute, or modify any or all of the Marks from time to time, by directive in the Manual. Franchisee will accept, use, display, or cease using, as may be applicable, the Marks, including any modified or additional trade names, trademarks, Marks, logotypes, and commercial symbols, and will within 30 days of receiving notification, begin to implement the changes and use its best efforts to complete the changes as soon as practicable at its own expense. On the expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, sign in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and fictitious business name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

6.4 Use of Other Trademarks

Franchisee may not use or display or permit the use or display of trademarks, trade names, Marks, insignias or logotypes, other than the fictitious business name (i) in any advertisement that contains the words "THE TAILORED CLOSET®" or any other Marks; (ii) in or on any place of business of Franchisee in any manner that is reasonably visible from outside the place of business; or (iii) in any computer system used at any place of business of Franchisee, or otherwise in connection with the Franchised Business, in any manner that could lead any person to believe that the other trademarks, trade names, Marks, insignias, or logotypes or the products or services with which they are associated are owned or offered by the Franchisor or its Affiliates, except as otherwise expressly permitted in this Agreement or in the Manual.

6.5 Prohibition Against Disputing Franchisor's Rights

Franchisee may not, during or after the Term of this Agreement, in any way, dispute or impugn the validity of the Marks, the rights of Franchisor to the Marks, or the right of Franchisor or other franchisees of Franchisor to use the Marks.

6.6 Mark Infringement Claims and Defense of Marks

If Franchisee receives notice or otherwise becomes aware of any claim, suit, or demand against it by any party other than Franchisor or its affiliates, on account of any alleged infringement, unfair competition, or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, Franchisee will promptly notify Franchisor of the claim, suit, or demand. Franchisee may not settle or compromise any such claim, suit, or demand by a third party without the prior written consent of Franchisor. Franchisor will defend, compromise, or settle at its discretion any such claim, suit or demand at Franchisor's cost and expense, using attorneys selected by Franchisor, and Franchisee agrees to cooperate fully in the matter. Provided that Franchisee has fully complied with the obligations of this section, Franchisor will indemnify Franchisee against all judgments resulting from any claim, suit, or demand arising from Franchisee's use of the Marks in accordance with the terms of this Agreement. Franchisor will have the sole discretion to determine whether a similar trademark or Mark being used by a

third party is confusingly similar to the Marks being used by Franchisee and whether and what subsequent action, if any, should be undertaken with respect to the similar trademark or service mark.

6.7 Use of Marks on the Internet

(a) Franchisee may not develop, create, generate, own, franchise, lease, or use in any manner any computer medium or electronic medium (including any Internet home page, landing page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols, or terms confusingly similar to any of them without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Without limiting the generality of the foregoing, Franchisee will not cause, permit or allow the Marks, or any of them, or any words, symbols or terms confusingly similar to any of them, be used or displayed in whole or part: (i) as, or as a part of, an Internet domain name; (ii) as, or as a part of, a uniform resource locator (or "URL," the unique address assigned to each page of a Web site) at any level or address; or (iii) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag (or the comparable identifier in any future technology) or other Internet- related activity, without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Franchisee may not link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) to any other Web site or authorize any third party to link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(b) Except as provided below, Franchisee may not use, nor authorize any third party to use, the Marks to advertise, promote, offer, or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (i) which are offered at or from the Franchised Business; (ii) which bear any of the Marks; or (iii) which are otherwise offered or sold under the Marks. Franchisee may, however, use the Marks to sell goods or services through the Internet in compliance with the Manual or with Franchisor's prior written consent, but then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(c) Franchisor is the owner of, and will retain all right, title, and interest in and to the domain name "THE TAILORED CLOSET®", the URL: "www.tailoredcloset.com," all existing and future domain names, URLs, addresses and subaddresses (including the Franchisee Page subaddresses), all computer programs and computer code (e.g., HTML, Java) used for or on Franchisor's Web site, excluding any computer programs and computer code owned by third parties (collectively, “Software”), all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data prepared for, used on or in connection with, displayed on, or collected from or through Franchisor's Web site (collectively, "Content), and all intellectual property rights in or to any of them.

6.8 Use of Marks in Social Media

(a) Franchisee may not promote the Franchised Business or use the Marks in any manner on any social media site existing now or in the future (including, without limitation, on blogs, vlogs, Facebook, LinkedIn, Twitter, Instagram, Flickr, Tumblr, Pinterest, Google+, Vine and Snap Chat) or on file-, audio- or video-sharing sites, other than in accordance with Franchisor's written standards. Franchisor has final authority over all social media marketing, and Franchisee must comply with Franchisor's brand standards regarding use of social media in the operation of the Franchised Business. Franchisee may not post communications about the Franchised Business or the System that would disclose the System's confidential or proprietary information, violate any relevant laws, regulations or guidelines or violate the terms of use imposed by the social media site. Franchisee may not post communications about the Franchised Business or the System on any public-facing social media site that is not authorized by Franchisor for use by Franchisee. Franchisee must ensure that policies it adopts for its employees' social media use are consistent with the requirements for social media advertising set forth herein.

(b) Franchisor is under no obligation to provide Franchisee with access to branded social media pages or other social media assets. Any social media pages or other social media assets that Franchisor, in its sole discretion, chooses to make available to Franchisee will be provided only on condition that Franchisee updates them regularly. Any such social media pages or other social media assets maintained by Franchisee shall be deemed "advertising" and shall be subject to all terms of this Section 6.8. Franchisor has the right, but not the obligation, to conduct social media campaigns on behalf of all, or any subset of, Franchisees via local social media.

6.9 Copyrights

(a) Franchisee acknowledges that Franchisor owns the worldwide copyrights and other intellectual property rights to all components of the System that are original works of authorship subject to copyright, including, without limitation, the Manual, marketing materials, website text, artwork, photographs, musical compositions, sound recordings, audiovisual works, computer software, and architectural designs (collectively, the "Copyrighted Materials"). Franchisee acknowledges and agrees that it may not make translations, copies, adaptations of or modifications to the Copyrighted Materials without the prior written consent of Franchisor.

(b) Neither this Agreement nor the operation of the Franchised Business in any way gives Franchisee any interest in the Copyrighted Materials other than the right to use the Copyrighted Materials solely in connection with the Franchised Business, solely in accordance with the terms and conditions of this Agreement and solely during the term of this Agreement.

(c) Franchisee acknowledges that Franchisor will own the copyrights and all other rights to translations, modifications and adaptations of or to the Copyrighted Materials made by Franchisee from time to time. Franchisee hereby assigns to Franchisor its copyrights and economic rights and waives any moral rights and similar rights with respect to the translated, modified or adapted Copyrighted Materials, and agrees to execute any all instruments and documents, render such assistance and perform such acts and things as may, in the opinion of Franchisor, be necessary

or advisable in the furtherance of such assignment and waiver. Franchisee will require the same assignment, waiver and covenant in favor of Franchisor by Franchisee's officers and employees and by any independent contractors or other third parties who translate, modify or adapt the Copyrighted Materials.

6.10 Artificial Intelligence

Franchisee must participate in programs and/or adhere to any then-current policies or specifications Franchisor develops, maintains, or requires from time to time with respect to the use of artificial intelligence in connection with the development, marketing and operation of Franchised Businesses generally or the Franchised Business.

7. INSTRUCTION AND OPERATING ASSISTANCE

7.1 Initial Training

(a) Unless the Initial Franchise Fee was waived under Section 4.1, immediately before the Operating Date, Franchisor will provide training to Franchisee's Manager in the System, including instruction in the Organizing Business including design, measurement, and product installation, sales and marketing techniques, advertising techniques, availability and differences of space organizers, and Franchisor's policies and procedures ("Initial Training"). Franchisor will determine the duration of and the time(s) and place(s) at which the Initial Training will be conducted. The Manager must complete Initial Training before the Operating Date. Franchisor will provide the Initial Training to additional responsible management people as requested by Franchisee, subject to the provisions of Section 7.2. Before beginning the Initial Training, the Manager must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manual. At or immediately before Initial Training (unless the Initial Franchise Fee was waived under Section 4.1), Franchisor will provide Franchisee with the THE TAILORED CLOSET® Start-Up Package, comprised of those items enumerated in Schedule 3 to this Agreement.

(b) As part of the THE TAILORED CLOSET® Start-Up Package, Franchisor will provide Franchisee with a $1,000 travel voucher to attend initial training. Franchisee is responsible for all costs of transport, accommodation, meals and incidental expenses in excess of $1,000.

7.2 Additional Attendees

Provided there is sufficient room in an Initial Training class, Franchisor will allow additional responsible management people designated by Franchisee to attend Initial Training. People attending Initial Training must have a demonstrable relationship to the management and operation of the Franchised Business by Franchisee. Prior to beginning training, each person must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manual. Franchisor will not assess a training fee for Franchisee and Franchisee's Manager. Franchisor reserves the right to assess a reasonable charge for training additional attendees. At Franchisor's discretion, any additional trainees may not be allowed to participate in field trips or vendor visits during the Initial Training.

7.3 Staff Training

Franchisee and the Franchisee's management personnel attending Initial Training are responsible for training Franchisee's other staff and other management personnel in connection with their respective roles/positions at the Franchised Business. Franchisee may utilize certain of Franchisor's confidential information and proprietary materials, including the Manual, when conducting training but only to the extent necessary to conduct such training and only pursuant to Franchisor's confidentiality terms and conditions.

7.4 On-Site Assistance

If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus expenses, including Franchisor's travel and lodging expenses, as Franchisor deems necessary in its sole discretion.

7.5 Start-Up Package

Franchisee will receive the THE TAILORED CLOSET® Start-Up Package described in Schedule 3 to this Agreement if the Initial Franchise Fee is paid in full.

7.6 Staff Training Courses

(a) Franchisor may make available to Franchisee, from time to time, optional staff training courses, seminars, conferences, or other programs, in a suitable location in Franchisor's discretion. Franchisor may charge a reasonable fee for such optional courses. Franchisor reserves the right to exclude prospective trainees from any further training courses who have not attended prerequisite Franchisor training courses.

(b) Upon reasonable notice, Franchisor may require attendance of designated personnel of Franchisee at training courses, seminars, conferences, or other programs other than Initial Training that are considered by Franchisor to be relevant or appropriate to the successful operation of the System. Franchisor will charge no fees for required training courses, seminars, conferences, or other programs.

(c) In connection with any staff training courses described in Sections 7.6(a) and 7.6(b) above, Franchisee will pay the travel, hotel and meal expenses for Franchisee's attendees.

7.7 Continuing Assistance

(a) Representatives of Franchisor will be available on an ongoing basis during normal business hours for consultation and guidance with respect to the operation and management of the Franchised Business. In addition to the Manual, Franchisor may from time to time provide Franchisee with additional materials and/or training relating to the Franchised Business.

(b) Additionally, Franchisor may, at its cost, provide or facilitate bookkeeping services

and/or structured coaching with respect to aspects of the Franchised Business as Franchisor determines appropriate. If Franchisor facilitates such bookkeeping services and/or structured coaching utilizing third party contractors, Franchisee consents to such contractors sharing with Franchisor all financial and other information concerning Franchisee's business derived during the course of such coaching.

7.8 Convention

Franchisor may, at its option, hold a convention or meeting of franchisees annually or at such other interval as Franchisor shall determine. Franchisee will pay the Convention Fee set forth in Section 4.6 and the travel, hotel and meal expenses for Franchisee and Franchisee's attendees.

7.9 Proprietary Materials

At Initial Training or other training programs (if any), Franchisor will provide to Franchisee proprietary information for use in connection with the training of Franchisee's staff. At Initial Training, Franchisor will grant Franchisee electronic access to the Manual for Franchisee's use during the Term of this Agreement. Franchisor may also from time to time make available to Franchisee for purchase certain materials relevant to the System and the Franchised Business. Franchisee may not, and may not allow its employees or others, to copy, reproduce, disseminate, or otherwise reveal to third parties any of the foregoing proprietary information and related materials without Franchisor's express prior written consent.

7.10 Equipment, Tools, Supplies and Inventory

Franchisor shall recommend the standard equipment, tools, supplies and inventory for use by Franchisee and sources for purchasing such items.

7.11 Initial Promotion and Advertising

Franchisor shall assist Franchisee in developing the initial post-opening promotion of the Franchised Business. Franchisor will, from time to time, provide Franchisee with promotional and advertising information.

8. OPERATION OF BUSINESS

8.1 Franchisee Operational Requirements

(a) Manager. Franchisee will employ or engage the services of, on a full time basis, at least one Manager who will devote his or her entire time and attention during normal business hours, as defined in the Manual, to the management, operation, and development of the Franchised Business in a manner that maximizes Gross Revenue in a manner consistent with sound marketing and business practices and will not engage in any other business activity requiring his or her active participation during normal business hours.

(b) Vehicle. At any time after the Effective Date, but before the Operating Date, Franchisee must purchase or lease at Franchisee's expense a motor vehicle or motor vehicle and enclosed trailer meeting Franchisor's standards, as set forth in the Manual (a "Vehicle") for use in the Franchised Business. As part of the THE TAILORED CLOSET® Start- Up Package, Franchisor provides signage displaying the THE TAILORED CLOSET® logo. Franchisee must retain (at Franchisee's expense) a capable vendor to affix the signage to the Vehicle and provide a photograph of the fully wrapped Vehicle. Placement of the signage on the Vehicle must be in accordance with the specifications of Franchisor as described in the Manual. Any subsequent modifications to the Mark and distinctive logo on the side of the Vehicle will be at Franchisee's expense. Franchisee will be responsible for all operating and other expenses associated with the Vehicle. Franchisee will deliver to Franchisor a copy of the bill of sale or lease for the Vehicle within ten days after Franchisee purchases or leases it. Franchisee must at all times maintain a policy of comprehensive liability insurance that meets specifications stated in the Manual with Franchisor as an additional named insured. The insurance requirements of the preceding sentence will survive so long as Franchisee uses the Vehicle in any business operating under the fictitious business names. If this Agreement is terminated, for whatever reason, Franchisee will immediately remove the name and logo of THE TAILORED CLOSET® and any other Marks from the Vehicle and cease any further use of that name, logo and Marks.

(c) Approved Vendors. Franchisee must purchase products only from Franchisor or vendors designated by Franchisor (which may include Affiliates of Franchisor). If Franchisee purchases from a vendor other than Franchisor, an Affiliate of Franchisor or an approved vendor, Franchisor has the right, at its option, in lieu of termination, to redirect Gray Area and national account leads that would otherwise be directed to Franchisee to another compliant franchisee of Franchisor's choice. In addition, Franchisee will be required to purchase from approved vendors sample books, marketing materials, marketing services and other items necessary to sell organizing units and storage and organizing accessories, as well as stationery and business cards containing Franchisor's proprietary Marks. In order to protect the System and its good standing with vendors, Franchisee must pay vendors on time and notify Franchisor of any amounts payable to vendors more than 90 days past due.

(d) Technology and Computer Systems. Franchisor has the right to mandate certain brands, types, makes, and/or models of communications, computer systems, software and hardware including without limitation:
(1) back office and point of sale systems, mobile devices, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Franchised Business, between or among Franchised Businesses, and between and among Franchisee's Franchised Business and Franchisor, its designee, and/or Franchisee; (2) physical, electronic, and other security systems; (3) printers and other peripheral devices; (4) archival back-up systems; and (5) Internet access mode (e.g., form of telecommunications connection) and speed (collectively, the "Computer System"). Franchisee must purchase or lease, and thereafter maintain, the Computer System, and comply with Franchisor's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manual or otherwise in writing.

i. Franchisor's Use of Data

Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Franchisor deems necessary or desirable, including, without limitation, the uses identified in Section 8.1(d) above. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it must strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and will otherwise operate its Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee must keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee must promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone, and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee must provide to Franchisor, upon Franchisor's request, all email lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

ii. Required Programs

Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Programs"); (b) updates, supplements, modifications, or enhancements to the Required Programs; (c) the tangible media upon which Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; (e) an electronic portal for informational assistance which may include, without limitation, the Manual, training, other assistance materials, and management reporting solutions; and (f) answering service requirements. Required Programs are specified in the Manual. Franchisor may substitute the Required Programs at any time.

iii. Upgrades and Access

Franchisee agrees to install and use the Computer System and Required Programs in the manner that Franchisor requires. Franchisor may charge a reasonable software license fee for any Required Programs. Franchisee agrees to implement and periodically update and make other changes to the Computer System as Franchisor requests in writing, which shall not be more often than one upgrade per year (collectively, "Computer Upgrades").

Franchisee will comply with Franchisor's written specifications (whether in the Manual or otherwise) with respect to the Computer System and the Required Programs, and with respect to Computer Upgrades, at Franchisee's own expense.

Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Programs in the manner, form, and at the times that Franchisor requests. Franchisee must provide Franchisor with user identifications and passwords required to access files and other information contained on the Computer System.

Because changes to technology are dynamic and not predictable within the Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies and data security, whether published in the Manual or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's new standards (and with Franchised Business audits conducted by Franchisor or its designee to confirm Franchisee's compliance) as if this Section, and other technology provisions in this Agreement, were periodically revised for that purpose.

(e) Extranet/Electronic Portal. Franchisee must comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet and/or electronic portal and/or such other computer systems as Franchisor may reasonably require. The term "Extranet" means a private network based upon Internet protocols that will allow users inside and outside of Franchisor's headquarters to access certain parts of Franchisor's computer network via the Internet. Franchisor may establish an Extranet and/or electronic portal (but is not required to do so or to maintain an Extranet and/or electronic portal). Franchisee must comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet and/or electronic portal, and utilizing the Extranet and/or electronic portal in connection with the operation of the Franchised Business. The Extranet and/or electronic portal may include, without limitation, the Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct).

Franchisee must purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet and/or electronic portal. Franchisor reserves the right to require Franchisee to contribute a reasonable amount toward the cost of the Extranet's and/or electronic portal's maintenance and further development. If Franchisee fails to comply with any policy or procedure governing the Extranet and/or electronic portal, Franchisor may temporarily suspend Franchisee's access to all or any aspect of the Extranet and/or electronic portal (such as a chat room, bulletin board, listserv or similar feature) until Franchisee fully cures the breach. Franchisee will not have any claim against Franchisor or any affiliate arising from such suspension from the Extranet and/or electronic

portal pursuant to this Section 8.1(e), and Franchisee hereby waives any such claim it may at any time have and releases Franchisor and its affiliates from any liability arising therefrom.

Franchisee and Franchisor shall each be responsible for protecting their own interests in relation to electronic communications. Franchisor shall have no liability to Franchisee on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss, or omission arising from or in connection with electronic communication of information.

(f) Customer Relations. Except as otherwise specified by Franchisor in the Manual or otherwise, Franchisee must immediately resolve any customer complaints regarding the quality of products or services of the Franchised Business or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee must use reasonable efforts to resolve the customer complaints as soon as practical. If Franchisor determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Franchisor believes that Franchisee has failed adequately to address or resolve any customer complaints, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee must pay Franchisor immediately on demand. **It is strictly prohibited to use a deposit received from a customer for the purchase of product for any other purpose, including the placement of product orders for other customers.**

(g) Taxes. Franchisee will pay any and all personal property, income, sales, use, excise, ad valorem, and other taxes, regardless of source or nature, which may be imposed, levied, assessed, or charged on, against, or in connection with, the Franchised Business or any product or service sold or furnished by Franchisee under this Agreement or otherwise, by any federal, state, county, municipal, or other governmental agency or subdivision which may have jurisdiction over the Franchised Business or the products or services offered in connection with it.

(h) Minimum Working Capital. Franchisor strongly suggests (but does not require) that Franchisee should have a minimum working capital of not less than $200,000 over the first two years of the business. Depending upon the circumstances, Franchisee may need considerably greater working capital (of $325,000 or more) over the first two years of the business. This working capital is to be used for initial advertising, Vehicle expenses, the office equipment required by Franchisor as well as miscellaneous other office equipment, insurance, all necessary business, contractors' or other licenses required by Franchisee's state to do business, initial tools and supplies, deposits, initial start-up costs, inventory and related and ongoing expenses. Those amounts (some of which may be paid to Franchisor and other amounts to outside vendors in connection with various expenses) are generally non-refundable. Whether any amounts paid to third parties are refundable depends upon the agreements with the third parties.

(i) Staffing. From time to time, Franchisee will hire the additional full-time and part-time staff that Franchisee considers necessary to operate the Franchised Business properly. Although Franchisor may make recommendations to Franchisee (in the Manual or otherwise) concerning employees, Franchisor and Franchisee are not joint employers of Franchisee's employees and other personnel. Franchisor does not and will not share or codetermine any of Franchisee's employees' essential terms and conditions of employment. More specifically, in no

case does Franchisor have any authority to determine or set Franchisee's employees': (1) wages, benefits and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. Franchisee alone has sole authority to determine any or all of Franchisee's employees' essential terms and conditions of employment. Franchisee will indemnify Franchisor (under Section 13.3, below) for any actual or alleged claim that Franchisor and Franchisee are joint employers of any Franchisee employee or personnel and all claims arising out of or relating to Franchisee's employees and Franchisee's hiring, firing, and discipline decisions concerning those employees.

(j) Crisis Management. Franchisee shall promptly notify Franchisor by telephone and in writing of all: (a) safety or health violations, (b) claims exceeding $1,000, and (c) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Franchised Business during the Term of this Agreement and for one (1) year after the expiration or earlier termination hereof. Further, upon the occurrence of a Crisis Management Event, Franchisee must immediately inform Franchisor by telephone or electronic means, must cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event, and must implement such remediation plan as may be instituted by Franchisor.

8.2 Manual

(a) Franchisee will operate the Franchised Business in accordance with the Manual. Franchisor will have the right to modify the Manual at any time by the addition, deletion or other modification of the provisions of the Manual. Franchisor agrees that although the modifications to the Manual may be material in that they may have an effect on the operation of the Franchised Business, they may not conflict with or materially alter the terms of this Agreement. All additions, deletions or modifications will be effective the next business day after notification is posted on Franchisor's electronic portal.

(b) All additions, deletions, or modifications to the Manual will be equally applicable to all similarly-situated Franchisees. The Manual, as modified or amended from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. References to the Manual made in this Agreement, or in any amendments or exhibits to this Agreement, will be considered to mean the Manual, as amended from time to time.

(c) Except as specifically permitted by Franchisor, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Manual or disclose the terms of either of them to any other person except employees and agents of Franchisee when required in the operation of the Franchised Business.

8.3 Local Area Marketing

(a) Franchisee must use best efforts to promote and advertise the Franchised Business and participate in any local marketing and promotional programs that Franchisor establishes from

time to time. In addition to the National Advertising Fee in Section 4.4, Franchisor may require that Franchisee invest the amount specified in the Manual on local marketing and promotion, not to exceed 8% of Franchisee's Gross Revenue. The Manual may specify revenue caps, beyond which the Local Area Marketing requirement does not apply. Expenses classified as Local Area Marketing will be specified in the Manual. Franchisor may require Franchisee to use only those service providers approved by Franchisor.

(b) Franchisee has the right to conduct such advertising and promotions of the Franchised Business as Franchisee in its reasonable discretion desires, provided that:

(i) Franchisee must advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the products and services and the good name, goodwill and reputation thereof;

(ii) Franchisee must submit all proposed advertising and promotions to Franchisor for its approval, which approval may not be unreasonably withheld or unduly delayed. Franchisee may not use any advertising or promotions until Franchisor has given its written approval of such advertising or promotions;

(iii) if Franchisee operates a Showroom, Franchisee must prominently display, at its expense, in and on the Showroom, signs of such nature, form, color, number, location, size and content as Franchisor may direct or approve in writing from time to time. Such signs must be purchased from suppliers approved by Franchisor; and

(iv) Franchisee hereby acknowledges that all rights, including, without limitation, all intellectual property rights, in all advertising and promotional material prepared by or on behalf of Franchisor are and will at all times remain the property of Franchisor.

8.4 Telephone Numbers and Advertising

(a) Franchisor will operate a toll free telephone number to be used for the conduct of the Franchised Business. All advertising relating to the Franchised Business will include this toll free number.

(b) At its expense, Franchisee will obtain and maintain a telephone service for the Franchised Business. Franchisee may insert this telephone number in its directory listings, business cards, and stationery in conjunction with the Franchised Business, but may otherwise advertise this telephone number only with Franchisor's prior written consent. If Franchisee operates the Franchised Business from Franchisee's residence, the business number must be separate from Franchisee's personal (residential) telephone number. If Franchisee is engaged in businesses other than the Franchised Business, Franchisee must maintain different telephone numbers and may make no reference to the Franchised Business in any listings in respect of the other businesses. At the time of termination of this Agreement, for any reason, Franchisee will comply with the provisions of Section 12.1(b) below, with respect to telephone numbers.

(c) Upon termination of this Agreement, for any reason, Franchisor will retain or change the telephone number relating to the Franchised Business in its sole discretion and Franchisee will do all things necessary or appropriate to transfer the telephone number to Franchisor, including paying any outstanding accounts with any directories and telephone service providers, and will not provide a call forwarding or telephone number referral with respect to any retained or disconnected telephone number. At any time during the Term of this Agreement, Franchisor may require Franchisee to sign a telephone supersedure form applicable to the telephone number relating to the Franchised Business. Furthermore, upon termination, Franchisee will not indicate in any manner it was previously affiliated with Franchisor.

(d) Franchisor may impose other requirements concerning telephones and telephone numbers in the Manual. Among other requirements that may be imposed in the Manual, Franchisor may require that Franchisee's telephones be answered by a live person (either an employee of Franchisee or an answering service) during regular business hours, rather than using voice-mail or a telephone answering machine and that Franchisee utilize call tracking technology as may be prescribed by Franchisor in the Manual.

8.5 Insurance

Franchisee will have in effect on the Operating Date and maintain during the Term a commercial general liability insurance policy and all other insurance in the types and amounts as are specified in the Manual. All policies of insurance to be maintained by Franchisee will contain a separate endorsement naming the Franchisor, and if required, its affiliated companies, as additional insured parties. The policies of insurance will not be subject to cancellation or modification except after 30 days prior written notice to the Franchisor. Franchisee will cause certificates of insurance or other evidence of insurance coverage in the form Franchisor requests showing compliance with the above requirements to be delivered to the Franchisor annually upon renewal and at any other times that Franchisor requests. If Franchisee does not maintain the insurance coverage required in the Manual, Franchisor may purchase the policies of insurance it considers to be required and Franchisee will reimburse Franchisor for all costs of the insurance.

8.6 Reporting, Data, Records and Rights of Inspection

(a) Franchisor may, from time to time, specify in the Manual or otherwise in writing the information that Franchisee will collect and maintain on the Computer System (as defined in section 8.1(d)), and Franchisee will provide to Franchisor such reports as Franchisor may from time to time prescribe in the Manual. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including without limitation data pertaining to or otherwise concerning the Franchised Business's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from, Franchisee's Computer System) is and will be owned exclusively by Franchisor without compensation to Franchisee. Copies and originals of such data must be provided to Franchisor on Franchisor's request. Franchisor by this Agreement licenses use of such data back to Franchisee for the Term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the

Franchised Business.

(b) Franchisee will submit monthly Gross Revenue reports by the fifth day of the month for the immediately preceding calendar month in the form and via the method prescribed by Franchisor from time to time in the Manual or otherwise in writing.

(c) Franchisee will submit monthly profit and loss statements by the fifth day of the month for the immediately preceding calendar month in the form and via the method prescribed by Franchisor from time to time in the Manual or otherwise in writing.

(d) Franchisee will maintain during the Term, and for a period of 36 months following expiration or termination of this Agreement for any reason, complete and accurate records of all Gross Revenue and Product purchases related to the Franchised Business, in the form and manner specified by Franchisor in the Manual. Franchisor shall have the right, during normal business hours, and without prior notice to Franchisee, to inspect or audit, or cause to be inspected or audited the financial books, records, bookkeeping and accounting records, documents or other materials in respect of the Franchise Business, including the right, without limitation, to have a person on the premises to check, verify and tabulate Gross Revenue and Product purchases, and/or to examine and make copies of all accounting and business records and procedures. In the event that any such audit or inspection shall disclose an understatement of Gross Revenue, Franchisee shall pay to Franchisor, within fourteen (14) days after receipt by Franchisee of the inspection or audit report, the Continuing Royalty, National Advertising Fee and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of Franchisee to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue or Product purchases for any year or part thereof to be made, or that Gross Revenue or National Advertising Fees for the period in question were understated by 5% or more of the Gross Revenue actually received, Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with any Franchisor requirement and Franchisee shall promptly pay to Franchisor all costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of Franchisor or its designee who performed the audit or inspection, such costs not to exceed $10,000. In the event any audit or inspection reveals any understatement of 5% or more of Gross Revenue, Franchisor has the right as it deems necessary to conduct further audits or inspections for up to two years thereafter, at Franchisee's expense for all costs and expenses of the subsequent audit or inspection, such costs not to exceed $10,000 per audit. Franchisee acknowledges and agrees that if a subsequent audit or inspection reveals any understatement of Gross Revenues of 5% or more, in addition to any other available remedies, Franchisor will have the right to terminate this Agreement without any opportunity to cure in accordance with Section 10.2 of this Agreement. If Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue or Product purchases, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Sales or Product purchases from other than approved vendors for the period under consideration and Franchisee shall immediately pay to Franchisor any amount shown thereby to be owing on account of the National Advertising Fees and, as liquidated damages and not a penalty, such sums that would otherwise have been paid to Franchisor by approved vendors in the form of rebate had Franchisee purchased Product from the approved vendors instead of unapproved

vendors. Any such estimate shall be final and binding on Franchisee.

(e) Within two weeks of each calendar month end Franchisee will furnish Franchisor with a summary profit and loss statement in Franchisor's required form. Within 60 days after each of Franchisee's fiscal years end, Franchisee will furnish Franchisor with (i) a detailed profit and loss statement in Franchisor's required form together with a balance sheet for the Franchised Business for the previous fiscal year, (ii) a statement of gross sales for the previous fiscal year, and (iii) a list of Franchisee's business offices (including the addresses and telephone numbers of each), along with any further information Franchisor reasonably requests. All of the financial statements and information will be prepared according to the guidelines prescribed by Franchisor in the Manual, and will be certified by Franchisee, or in the case of a corporate Franchisee, by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true and correct.

(f) Franchisor may, at any time, use any financial report or statement, or any information derived from them, in aggregate form, as part of Franchisor's disclosure document or similar document.

(g) Franchisor and/or its representatives shall have the right at all times during normal business hours, without notice to Franchisee, to inspect the Showroom (if any) to determine whether it is in compliance with the requirements of the Manual and the Showroom addendum and examine the manner in which Franchisee is conducting its business. In the event of any such inspection, Franchisee and its personnel shall cooperate fully.

8.7 Review

Upon reasonable prior written notice, Franchisor will have the right to send representatives at reasonable intervals during normal business hours, into Franchisee's principal place of business or other offices to inspect Franchisee's operations, business methods, services, financial and other records (of which Franchisor representatives may make copies), management, and administration, to determine the quality and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Manual.

8.8 Compliance with Laws

Franchisee will (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, some of which are subject of specific policies set forth in the Manual and which policies must be strictly adhered to; (ii) comply with all applicable wage and hour and other laws and regulations of the federal, state, or local governments; (iii) prepare and file all necessary tax returns; (iv) pay promptly all taxes imposed upon Franchisee or upon its business or property; and (v) at all times comply with the applicable licensing requirements if any, of a State Contractor's License Board (or its equivalent) and other appropriate organizations. Franchisee represents and warrants that it will obtain and maintain all necessary permits, certificates, and/or licenses necessary to conduct the Franchised Business in the Territory. Franchisee will immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification will include all relevant details concerning the

proceedings, according to the procedures described in the Manual.

8.9 Pricing

Franchisee is solely responsible for determining the prices of products and services offered by the Franchised Business, however, Franchisee is required to comply with any maximum or minimum resale pricing restrictions Franchisor may implement so long as such pricing does not violate applicable law.

8.10 No Competing Businesses

(a) Franchisee acknowledges that, under this Agreement, Franchisee will receive valuable specialized training, trade secrets, and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of the System. Franchisee acknowledges that this specialized training, trade secrets, and confidential information provide a competitive advantage and will be valuable to Franchisee in the development and operation of the Franchised Business, and that gaining access to this specialized training, trade secrets, and confidential information is, therefore, a primary reason why Franchisee is entering into this Agreement.

(b) In consideration for this specialized training, trade secrets, confidential information, and rights, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee will not during the Term, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any people, partnership, or corporation:

(i) Divert or attempt to divert any business or customer of the Franchised Business to any "Competitor" (as defined below), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System. For purposes of this Agreement, a "Competitor" is a business that derives revenues from the direct or indirect retail sale of closet, pantry, home office, storeroom, utility room, basement, laundry room and/or attic organizers or services or other products or services similar to those sold by the Franchisor or any of its franchisees.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks.

(c) For a continuously uninterrupted period of two years, beginning with "expiration date" specified below, Franchisee will not, directly or indirectly, for itself, or through, on behalf

of, or in conjunction with any other person:

(i) Divert or attempt to divert any business or customer of the Franchised Business to any Competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor that is, or is intended to be, located within, or within a 25 mile radius of, the Territory or the territory of any THE TAILORED CLOSET® business in existence or under development as of the expiration date.

For purposes of this section, "expiration date" is the date that this Agreement expires without renewal or is terminated (regardless of the reason for termination), or that Franchisee transfers all of its interest in this Agreement.

(d) Franchisee acknowledges that each of the covenants contained in this section is a reasonable limitation as to time, geographical area, and scope of activity to be restrained, and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each of the covenants in this section will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this section. This section will not apply to the ownership of less than a 1% beneficial interest in the outstanding equity securities of any publicly held company.

(e) Franchisee understands and acknowledges that Franchisor may, in its sole discretion, reduce the scope of any covenant in this section without Franchisee's consent, effective immediately upon notice to Franchisee. Franchisee agrees that any covenant as so modified will be fully enforceable, and Franchisee covenants that it will comply with the modified covenant.

(f) Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this section.

(g) Franchisee must require and obtain signing of covenants similar to those set forth in this section (including covenants applicable upon the termination of a person's employment with Franchisee) from its Manager. Additionally, at Franchisor's request, Franchisee will require and obtain signing of similar covenants to those identified in the preceding sentence from any personnel of Franchisee who have received or will have access to training from Franchisor. Franchisee will also require all people who Control Franchisee or who own (directly or indirectly) 10% or more of Franchisee to sign similar covenants. Any covenants required under this section

will be substantially in the form of this section.

8.11 Franchisor's Web Site

(a) Franchisor has established and will maintain from time to time one or more sites on the Internet that may, among other things, facilitate orders, provide information about the System and the products and services that are offered at businesses operated under the Marks, and allow end-users to locate a nearby business operated under the Marks ("Franchisor's Web site"). Franchisor has sole discretion and control over the design and content of Franchisor's Web site. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content, and functionality of Franchisor's Web site; (ii) make operational changes to Franchisor's Web site; (iii) change or modify the URL and/or domain name of Franchisor's Web site; (iv) substitute, modify, or rearrange Franchisor's Web site, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (A) comply with applicable laws, (B) respond to changes in market conditions or technology, and (C) respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to Franchisor's Web site; and (vi) disable or terminate Franchisor's Web site without any liability to Franchisee.

(b) Franchisor may link Franchisor's Web site to the Web sites of third parties, including electronic service providers, Franchisor's Affiliates, and other providers of goods and services. Franchisor may also permit third parties to link (including links to interior pages of Franchisor's Web site, including the Franchisee Page) and frame Franchisor's Web site (including the Franchisee Page). Franchisor may place legal notices, disclaimers, Franchisor's Marks, corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on Franchisor's Web site, all of which may be modified, expanded, or eliminated at Franchisor's option. Further, Franchisor may establish or participate in programs whereby Franchisor refers end-users to other Web sites, or Franchisor receives referrals from other Web sites. All consideration (monetary and non- monetary) received by Franchisor on account of the placement or sale of advertisements, endorsements, and sponsorships on Franchisor's Web site (including any Franchisee Page), and all consideration (monetary and non-monetary) received by Franchisor on account of affiliate programs, will belong only to Franchisor. Franchisor may also establish programs that encourage repeat visits to Franchisor's Web site by end-users.

(c) Franchisor's Web site may include one or more interior pages that identify THE TAILORED CLOSET® franchisees operating under the Marks, including the Franchised Business, by among other things, geographic region, address, telephone numbers, and other appropriate matters. Franchisor's Web site may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.

(d) Franchisor may, from time to time, establish one or more interior pages on Franchisor's Web site dedicated in whole or in part to the Franchised Business ("Franchisee Page"). Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's compliance with the procedures, policies, standards, and specifications that Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions, or updates) to the content made by Franchisee for any purpose will be considered to be a "work made for hire" under the copyright laws, and therefore, Franchisor will

own the intellectual property rights in and to the modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee assigns those modifications to Franchisor for no additional consideration and with no further action required and will sign any further assignments as Franchisor may request.

(e) Without limiting Franchisor's general unrestricted right to permit, deny, and regulate Franchisee's participation on Franchisor's Web site in Franchisor's sole discretion, if Franchisee breaches this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate the Franchisee Page and remove all references to the Franchised Business on Franchisor's Web site or redirect customer leads to other franchisees pursuant to section 2.2(d) until the breach is cured.

(f) Franchisor has no control over the stability or maintenance of the Internet generally. As a result, Franchisor is not responsible for damage or loss caused by errors of the Internet. Furthermore, Franchisor is not liable for any direct, indirect, special, incidental, exemplary, or consequential damages arising out of the use of, or the inability to use, Franchisor's Web site or the Internet, including loss of profits, goodwill, or savings, downtime, or damage to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

8.12 E-mail, Internet, Social Media and Other Media

(a) Franchisee must comply with Franchisor's current requirements and policies (as described in the Manual or otherwise communicated in writing) for all digital media, including, but not limited to, Franchisor's web site, when representing or promoting the Franchised Business online, on social media, or through any other digital channels. This includes participating in blogs, vlogs and social media platforms. Any online activities that are not specifically allowed in the Manual or in writing or that have not been previously approved by Franchisor, require Franchisor's prior written approval.

(b) Franchisee is permitted to advertise and promote the Franchised Business on social media platforms using pages, communications and content featuring the Marks as directed by Franchisor. If required by Franchisor, Franchisor must have administrator access to all Franchisee's social media accounts. All social media activity must be set up and maintained in full compliance with the Manual.

(c) Franchisee agrees not to transmit or cause any other party to transmit consumer advertisements or solicitations by e-mail or other digital media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

(d) Franchisee must promptly discontinue any advertising or promotion using social media, whether or not previously agreed to by Franchisor, upon notice from Franchisor that it reasonably considers that such use of social media does not conform to the System standards. Upon

the expiration or termination of this Agreement, Franchisee will assign ownership (to the extent Franchisor does not already own them) of all domain names, account names, handles, and user names used by Franchisee in its business under this Agreement and Franchisee will take all such actions as Franchisor reasonably requires to disassociate Franchisee from any such names and social media pages.

8.13 Electronic Commerce

Franchisor may, at its discretion, utilize its website or another dedicated site to conduct online commerce ("Electronic Commerce"). "Electronic Commerce" refers to the process of offering and selling products and services related to the Marks, as well as receiving and processing orders and payments for these products and services through electronic channels, including but not limited to the Internet. If requested by Franchisor, Franchisee must participate in Electronic Commerce and will be required to sign Franchisor's current electronic commerce participation agreement. This agreement will outline, among other things: (i) the terms for sharing program revenues and expenses between Franchisee and Franchisor; (ii) Franchisor's authority to establish and update procedures, policies, protocols, standards, and specifications governing Electronic Commerce and the use of customer data; (iii) the required computer hardware, software, and communications equipment; and (iv) Franchisor's right to suspend or terminate customers' ability to place orders or book appointments with Franchisee during any period in which Franchisee is in breach of this or any other agreement with Franchisor or its affiliates.

8.14 Franchisor Electronic Portal

(a) Franchisor may, at its discretion, create and manage either a series of dedicated "private" pages on its website (as outlined in Section 8.11) or an electronic portal. These platforms may be used for communication among Franchisor, its franchisees, and their employees, as well as for sharing the Manual, updates, and other confidential information. Franchisor retains full authority over all aspects of the electronic portal, including its content and features. Franchisor is not required to maintain the electronic portal indefinitely and may discontinue it at any time without any obligation or liability to Franchisee.

(b) If Franchisor creates an electronic portal, Franchisee will be allowed to use it as long as Franchisee fully complies with the standards, specifications, protocols, and restrictions (collectively, "Franchisor Protocols") that Franchisor may update from time to time. These protocols may cover, among other things: (i) prohibiting abusive, defamatory, or offensive language in electronic communications; (ii) restricting communications among franchisees that promote or encourage violations of any franchise agreement; (iii) ensuring confidentiality of materials shared by Franchisor through the portal; (iv) enforcing password and security requirements; (v) establishing grounds and procedures for suspending or revoking a franchisee's portal access; and (vi) outlining privacy policies for Franchisor's access to and use of electronic communications posted by franchisees. Franchisee understands that, as the portal administrator, Franchisor has the technical ability to access and review any communication posted on the portal. Franchisee also acknowledges that the electronic portal, along with all communications posted to it, will be owned by Franchisor, and neither Franchisee nor any other party may claim privacy or privilege over the content shared on the portal.

(c) Franchisee will establish and continually maintain (during all times that the electronic portal is established and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Manual) with the electronic portal that allows Franchisor to send messages to and receive messages from Franchisees, subject to the Franchisor Protocols.

(d) If Franchisee breaches this Agreement or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate Franchisee's access to the electronic portal without Franchisor having any liability to Franchisee, and in which case Franchisor will only be required to provide Franchisee a paper copy of the Manual and any updates to them, unless Franchisee is not otherwise entitled to the Manual.

8.15 Change in Status Processing

Requests for (i) change of fictitious business name, (ii) changes in designated Manager or (iii) other changes in status as may be specified from time to time by Franchisor, will be made on the form as designated by Franchisor in the Manual.

8.16 Key Accounts

(a) Franchisee acknowledges that to competitively attract and effectively service Key Accounts, Franchisor may need to establish policies governing the manner in which Key Accounts will be serviced. Franchisee will comply with all Key Account policies.

(b) Franchisee further acknowledges that Key Account policies to be established by Franchisor may obligate Franchisee to pay to Franchisor a lead referral fee or a percentage of the job in exchange for referral of leads from the Key Account. Franchisee acknowledges that Franchisor makes no representation or warranty that any specified amount of Key Account business will be provided within the Territory.

8.17 Computer and Software

One aspect of the System is the ability to display in the customer's home an on- screen layout of the space organizers proposed to be sold to the customer. To that end:

(a) Franchisee must obtain at least one laptop/desktop computer meeting Franchisor's criteria for the computer, including chipset, memory, hard drive size, operating system, and required commercial programs. Franchisee is also required to obtain broadband Internet access. If required due to changes in technology, Franchisee must upgrade that computer and related items from time to time.

(b) Franchisor will provide to Franchisee one licensed copy of the THE TAILORED CLOSET® design/visualization software ("Design Software"), a software program that will allow Franchisee to provide the in-home demonstrations described above. Franchisor may substitute the Design Software at any time in its discretion. Franchisee may use the Design Software on only a single computer, but may obtain additional licenses of the Design Software from the software provider at its sole cost and expense. Franchisor may, from time-to-time in Franchisor's discretion,

provide Franchisee with enhancements, improvements, and other upgrades to the Design Software. Changes to or substitutions of the Design Software may require Franchisee to upgrade the computer on which the Design Software runs. The Design Software will be disabled upon termination of this Agreement for any reason.

8.18 Vendor Allowances

Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, commissions, credits, monies, payments or benefits (collectively, "Allowances") offered by vendors to Franchisor or its affiliates based upon Franchisee's (and other franchisees') purchases of products and other goods and services. Franchisee acknowledges that such Allowances are additional consideration for the rights granted by Franchisor to Franchisee under this Agreement and that Franchisor has exclusive right, title and interest in and to any and all such Allowances. Franchisee further acknowledges that Franchisor is entitled to collect, retain and utilize any or all such Allowances without restriction (unless otherwise instructed by the vendor).

8.19 Privacy

(a) Use of Privacy Information. In no circumstances shall Franchisee or Franchisor ever sell the Privacy Information. Franchisee further agrees not to access, use or process the Privacy Information, except in the furtherance of its rights and obligations under this Agreement but at all times in compliance with Privacy Law. Franchisee shall be solely liable for any and all violations of Privacy Law that may arise from its failure to comply with this provision.

(b) Privacy Information Requests. To the extent Franchisor does not have the ability to address requests made under applicable Privacy Law by individuals that are the subject of any of the Privacy Information, Franchisee shall, upon Franchisor's request, provide reasonable assistance to Franchisor in responding to such requests.

(c) Audits. During the term of this Agreement, at Franchisor's request and subject to reasonable notice, Franchisee shall provide Franchisor with information sufficient to establish its compliance with the obligations set forth in this section 8.19 and the applicable Privacy Laws.

8.20 PCI DSS Compliance

Franchisee must comply with the Payment Card Industry Data Security Standards (PCI DSS) as these standards may be revised and modified by the Payment Card Industry Security Standards Council (PCISSC) or such successor replacement organization, and/or in accordance with other standards as we may specify. In addition, you must submit annually to us a fully completed copy of your PCI Attestation of Compliance on the then-current PCISSC form or such successor or replacement form(s) and/or processes. In all cases, Franchisee is solely responsible for protecting the Franchised Business from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, data-related problems, and attacks by hackers.

8.21 Nondisclosure and Confidentiality

Franchisee acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Marks or any matters dealt within the Manual. Franchisee also acknowledges that all disclosures made to Franchisee relating to the System, including, without limitation, the specifications, standards, procedures and the entire contents of the Manual, are communicated to Franchisee solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, Franchisee agrees to maintain the confidentiality of all such information during the term of this Agreement and at any time thereafter and may not disclose any portions of the Manual or any information whatsoever with respect to Franchisee's or Franchisor's business affairs or the System, other than as may be required to enable Franchisee to conduct its business. Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in advance in writing by Franchisor. For the avoidance of doubt, Franchisee is not precluded by this Agreement from contacting or otherwise engaging with governmental authorities regarding the franchise. However, if/when Franchisee receives a valid legal order or is otherwise required by applicable law to disclose any of Franchisor's Confidential Information or Trade Secrets to any government agency or court, Franchisee should promptly notify Franchisor in writing regarding such receipt of the request and provide a copy of the request and all relevant information regarding the request as it pertains to Franchisor's Confidential Information or Trade Secrets, including any specific required date for dissemination. Before complying with the request, subject to any specific deadline in the request, Franchisee should provide Franchisor at least 14 days' time to review the request and, at Franchisor's election and cost, permit Franchisor to seek a protective order or other remedy with the requesting party. Franchisee must provide Franchisor with reasonable assistance with any such action Franchisor elects to undertake. If Franchisor elects not to contest the request or if Franchisor is unsuccessful with its efforts and Franchisee remains legally compelled to make such disclosure, then Franchisee may do so, but Franchisee should: (a) only disclose that portion of the Confidential Information or Trade Secrets that it is required to disclose; (b) use reasonable efforts to ensure that such Confidential Information or Trade Secrets is afforded confidential treatment; and (c) concurrently provide Franchisor a copy of all information provided to the governmental authority.

8.22 Minimum Gross Revenue Volume

Franchisee must achieve and maintain the minimum Gross Revenue volume as set forth in the Manual as it may be amended from time to time. Franchisor may terminate this Agreement if Franchisee fails to maintain the minimum Gross Revenue volume, but may take into account local economic conditions and/or extenuating circumstances that materially affect Gross Revenue volume and which, in the sole discretion of Franchisor, affects Franchisee's ability to meet the minimum Gross Revenue volume. The amount of minimum Gross Revenue volume shall not be construed or otherwise interpreted to be a financial performance representation or a statement or projection of the Gross Revenue for the Franchised Business.

9. ASSIGNMENT

9.1 Assignment by Franchisor

Franchisor and any holder of an ownership interest in Franchisor may voluntarily, involuntarily, directly or indirectly sell, assign, transfer, license, sublicense, sublease, collaterally assign, grant a security, collateral or conditional interest, intervivos transfer, testamentary disposition or other disposition of all or any part of its rights or obligations under this Agreement or any ownership interest in Franchisor to any Person without Franchisee's consent. Specifically, and without limitation to the foregoing, Franchisor may offer its securities privately or publicly; may merge, spin-off, acquire other Business Entities, or be acquired by another Business Entity; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to any such transaction. If Franchisor assigns its rights in this Agreement, such assignment will constitute a novation as to Franchisor and Franchisor will be released from all further liability to Franchisee under this Agreement after the effective date of such transfer, and the transferee will be liable to Franchisee as if it was the original party to this Agreement. Nothing contained in this Agreement requires Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee if Franchisor assigns its rights in this Agreement.

9.2 Assignment by Franchisee

This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee (if Franchisee is an individual) or the people who directly or indirectly Control Franchisee or directly on indirectly own (in this context, an "Equity Holder) a beneficial interest in Franchisee (if Franchisee is person other than an individual), and the trust and confidence reposed by Franchisor in Franchisee and its Equity Holders. Franchisee and its Equity Holders each covenant to actively and substantially participate in the ownership and operation of the Franchised Business.

(a) Without the prior written consent of Franchisor and subject to Franchisor's right of first refusal provided for in Section 9.3, neither Franchisee nor any Equity Holder may Transfer any interest in Franchisee, this Agreement, or all or substantially all of the assets of Franchisee used in connection with the Franchised Business. As further clarification of the foregoing restrictions, Franchisee may not sub-franchise or attempt to sub-franchise this Agreement, or a portion but not all of Franchisee's rights under this Agreement, without the express prior written permission of Franchisor. Any Transfer or purported Transfer in violation of this section will be void.

(b) Franchisor may withhold its consent to a sub-licensing of all or part of Franchisee's interest in the Agreement for any reason whatsoever in Franchisor's sole discretion. If Franchisee or any of its owners proposes to make any other form of Transfer, and if Franchisor elects not to exercise its right of first refusal (or if the right of first refusal is not applicable to the proposed Transfer, as provided in this Agreement), Franchisor may withhold or condition Franchisor's consent to any Transfer, as Franchisor deems appropriate, based on the circumstances of the Transfer or otherwise. If Franchisor believes that the terms and conditions of any Transfer would

not be in the best interests of the Franchisor, the proposed transferee or the THE TAILORED CLOSET® System, Franchisor may refuse to consent to such Transfer. Without limitation, Franchisor may consider the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the Marks, the System, or Franchisor, or any of Franchisor's Affiliates. Additionally, it will not be unreasonable for Franchisor to impose, among other things, the following conditions precedent to its consent to any Transfer:

(i) The proposed assignee of the interest to be subjected to the Transfer will complete Franchisor's application for a franchise agreement, and Franchisee and the proposed assignee will fully disclose in writing all of the terms and conditions of the proposed Transfer.

(ii) The proposed assignee(s) of the interest to be subjected to the Transfer demonstrate(s) that it has or they have the skills, qualifications, and economic resources necessary, in Franchisor's reasonable judgment, to conduct the business contemplated by this Agreement. Among other things, this may require the possession of certain skills and qualifications of the prospective transferee, including experience in or ability to learn the space organizer business, financial and operational skills and qualifications, economic resources, reputation and character of the prospective transferees, and the ability of the prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement. Without limiting the generality of the foregoing, if a contractor's license is required in the state in which the Territory is located, the proposed assignee or one or more of the principal officers, shareholders or directors of the proposed assignee must qualify for, and obtain, or otherwise obtain for the benefit of the Franchised Business such as through an employee of Franchisee, such contractor's license prior to the effective date of the Transfer.

(iii) The proposed assignee of the interest to be subjected to the Transfer expressly assumes in writing for the benefit of Franchisor all of the obligations of Franchisee under this Agreement.

(iv) If the proposed Transfer will result in a new Franchisee under this Agreement, the new Franchisee signs the then current form of Franchise Agreement being used by Franchisor and pays the then current initial franchise fee under the franchise agreement.

(v) As of the date of the proposed Transfer, Franchisee is in full compliance with all of its obligations to Franchisor, whether under this Agreement or under any other agreement, arrangement, or understanding with Franchisor and pays the then-current initial franchise fee under the franchise agreement.

(vi) Franchisee, assignee and each shareholder of a corporate assignee sign the then current form of Consent to Transfer and Assumption of Franchise Agreement.

(vii) Franchisee, Franchisee's Equity Holders, and Franchisee's transferees must provide to Franchisor an unconditional, general release of all claims any of them may have against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners and employees.

(viii) Franchisee pays to Franchisor a non-refundable transfer fee equal to the amount then being charged by Franchisor, not to exceed $50,000. In addition, if the proposed assignee of the interest to be subjected to the Transfer was already in Franchisor's lead database at the time of first contact between Franchisee (or its Equity Holder) and the proposed assignee, then Franchisor may require Franchisee to pay the referral fee then being charged by Franchisor plus the amount of any broker fees that Franchisor must pay a third-party (not an employee of Franchisor).

(c) If Franchisee is not an individual, Franchisee will provide Franchisor at the Effective Date with a copy of Franchisee's governing documents (such as articles of incorporation, bylaws, operating agreement, or partnership agreement) and all other agreements among the Equity Holders (such as buy/sell agreements). If Franchisee is a corporation or other entity that issues capital stock, Franchisee will provide Franchisor at the Effective Date with a prototype stock certificate. As a condition to entering into the Franchise Agreement, a Franchisee that issues capital stock will be required to place the following legend on all stock certificates:

"The transfer of this stock is subject to the terms and conditions of that certain Franchise Agreement dated _between this corporation and ORGANIZED SPACES, LLC. Reference is made to that Franchise Agreement and the restrictive provisions contained in them and as may be otherwise described in the Articles of Incorporation and by-laws of this corporation."

(d) The cumulative Transfer in any 12 consecutive month period of 25% or more of the ownership interests or voting power in Franchisee will be considered to be a Transfer for purposes of this Section 9.

9.3 Right of First Refusal

Except as provided in Sections 9.4, 9.5, and 9.6, the right of Franchisee or its Equity Holders to Transfer any interest in this Franchise Agreement will be subject to Franchisor's right of first refusal with respect thereto. Franchisor may exercise the right of first refusal in the following manner:

(a) Franchisee will deliver to Franchisor a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Assignment by Franchisee; and (ii) all available information concerning the proposed assignee of the interest proposed to be subject to a Transfer.

(b) Within ten days after Franchisor's receipt of the notice (or if Franchisor requests additional information, within ten days after receipt of the additional information), Franchisor may either consent or withhold its consent to the Transfer, in accordance with Section 9.2 or, at its option, may accept the Transfer itself or on behalf of its nominee upon the terms and conditions

specified in the notice.

(c) If Franchisor elects not to exercise the right of first refusal and consents to the Transfer, Franchisee will for a period of 90 days, and subject to the provisions of Section 9.2, be free to complete the proposed Transfer upon the terms and conditions specified in the notice. If, however, the terms are materially changed, or if the 90-day period expires, Franchisor will again have the right of first refusal with respect to the offer and Franchisee will again be required to comply with Section 9.3(a) above.

9.4 Transfers to Family Members

An individual Franchisee or an Equity Holder, may with Franchisor's consent, which will not be unreasonably withheld, Transfer the Franchised Business or an equity interest in Franchisee to the person's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement.

9.5 Transfers to Affiliated People

Franchisee or an Equity Holder may, without the consent of Franchisor, upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a person (other than an individual) entirely owned by natural person(s) making the Transfer in the same proportionate amount of ownership as before the Transfer, provided that adequate provision is made for the management of the Franchised Business and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer fee will be payable in respect of a Transfer under this section.

9.6 Transfers Upon Death or Incapacity

In spite of any of the foregoing, upon the death or legal incapacity of Franchisee or an Equity Holder that is an individual, the person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with the person's will or, if the person dies intestate, in accordance with laws of intestacy governing the distribution of the person's estate, provided that adequate provision is made for the management of the Franchised Business and the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants. A Transfer under this section will be free from Franchisor's right of first refusal provided in Section 9.3, and no transfer fee will be payable in respect of a Transfer pursuant to this section. Any subsequent Transfer will be subject to all provisions of this Section 9.

If Franchisor determines, in its reasonable judgment, that the heirs, personal representatives, or conservators, as applicable, are not capable of operating the Franchised Business, Franchisor may immediately begin operating the Franchised Business on behalf of Franchisee pending a Transfer to a qualified buyer. For this management assistance, Franchisor may charge Franchisee a fee equal to 8% of the Gross Revenues during Franchisor's operation of the Franchise and the wages or salary for an interim Manager.

9.7 Involuntary Transfers

No involuntary Transfer or partitioning of Franchisee's or the Equity Holder's interest in the Franchised Business or under this Agreement, whether in connection with a bankruptcy, foreclosure, divorce or other proceeding, will be effective against Franchisor unless and until: (1) the transferee furnishes Franchisor a signed guaranty under which the transferee agrees to be jointly and severally liable for the payment of Franchisee's monetary obligations under this Agreement, whether or not such obligations are then delinquent; (2) the transferee agrees in writing to be personally bound by the confidentiality provisions and restrictive covenants in this Agreement; and (3) the Transfer encompasses Franchisee's and the Equity Holder's total interest in the Franchised Business and under this Agreement, irrevocably designates and appoints Franchisee to be the transferee's agent and attorney-in-fact with whom Franchisor may deal for all purposes expressed in or contemplated by this Agreement.

9.8 Waiver of Interference Claims

Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee. Franchisee also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Franchisee waives any claim that action Franchisor takes in relation to a proposed transfter to protect its business interests constitutes tortious interference with contractual or business relationships.

10. DEFAULT AND TERMINATION

10.1 General

(a) Franchisor may unilaterally terminate this Agreement upon Franchisee's material breach of this Agreement or upon the occurrence of any of the conditions listed in Section 10.2. The listing in Section 10.2 of some conditions as constituting specific grounds for termination does not imply that other material breaches of this Agreement are not also good cause for termination, even though some of the conditions listed in Section 10.2 parallel obligations of Franchisee described elsewhere in this Agreement. Franchisor will exercise its right to terminate this Agreement in the manner described in this Section 10.

(b) In spite of anything contained in this Agreement to the contrary, in those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion, offer to Franchisee an alternative remedy to termination of this Agreement. If Franchisee declines Franchisor's alternative offer, Franchisor may proceed to terminate this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, in those circumstances under which Franchisor may terminate this Agreement for Franchisee's default, Franchisor may exercise all remedies available to it at law or in equity, including seeking specific performance and damages (including direct, indirect, special, incidental, or consequential damages). All rights and remedies provided in this Agreement are in addition to and not in substitution of the rights and remedies available to a party at law or in equity.

10.2 Termination Without Opportunity to Cure

The obligations of Franchisor under this Agreement are contingent upon the non-occurrence of each of the conditions described below. Franchisor may terminate this Agreement immediately upon notice to Franchisee, without prior opportunity to cure, upon the occurrence of any of the following conditions, each of which constitutes grounds for immediate termination of this Agreement without notice or opportunity to cure (except as specifically stated in these conditions):

(a) To the extent permitted by law, if Franchisee or any guarantor of Franchisee's monetary obligations to Franchisor becomes insolvent, is adjudicated a bankrupt, voluntarily files a petition for liquidation or reorganization under any provision of the United States Bankruptcy Code, makes an assignment for the benefit of creditors or takes any other action pursuant to any federal or state insolvency statute or a receiver of other custodian is appointed for Franchisee's business or business assets.

(b) If Franchisee Abandons the Franchised Business. The term "Abandon" means failure to operate the Franchised Business for a period of seven consecutive days (without Franchisor's prior written consent) during a time that Franchisee is required to operate the Franchised Business under the terms of this Agreement, or any shorter period under which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business. A repeated pattern of failure to operate the Franchised Business for periods of less than seven consecutive days may result in the Franchised Business being considered Abandoned if in the judgment of Franchisor the closure adversely impacts the Franchised Business. The Franchised Business will not be considered Abandoned if the failure to operate is due to acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money), provided that Franchisee gives notice of any cessation of operations to Franchisor promptly after the initial occurrence of the event resulting in the cessation of operations (and in any event within ten days) and Franchisor acknowledges in writing that the cessation of operations is due to one of the foregoing causes and provided further that Franchisee re-establishes the Franchised Business and is fully operational within 120 days after the initial occurrence of the event resulting in the cessation of operations or any longer period that Franchisor permits.

(c) If Franchisor and Franchisee agree in writing to terminate this Agreement.

(d) If Franchisor discovers that Franchisee made any material misrepresentations relating to the acquisition of the Franchised Business, or if Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business

or the Marks.

(e) If Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business.

(f) If Franchisee commits or allows to occur the same Events of Default two (2) or more times in any 12-month period, whether or not notified to Franchisee and whether or not cured in accordance with this Agreement.

(g) If Franchisee commits or allows to occur three (3) or more similar or different Events of Default in ay 12-month period, whether or not notified to Franchisee and whether or not cured in accordance with this Agreement.

(h) If the Franchised Business or business premises of the Franchisee are seized, taken over, or foreclosed by a government official in the exercise of the official's duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, if a final judgment against Franchisee for more than $10,000 remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed), or if a levy of signing has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days after the date of the levy.

(i) If Franchisee or one or more Owners is convicted of or pleads guilty or no contest to a felony or crime involving fraud, sexual assault, sexual harassment, battery, drug possession, moral turpitude or any other crime or offense that is injurious to the System or the goodwill associated with the Marks.

(j) If Franchisor makes a reasonable determination that continued operation of the Franchised Business by Franchisee will result in an imminent danger to public health or safety.

(k) If any other franchise agreement between Franchisor and Franchisee is terminated by Franchisor because of breach or default by Franchisee or failure of a condition to continued effect of the franchise agreement.

(l) If Franchisee applies a deposit from a customer intended to be used to purchase Product for that customer’s order for any other purpose.

(m) If a repeated audit reveals repeated understatement of Gross Revenues by 5% or more as stated in Section 8.6(d).

(n) If Franchisee has failed to meet the minimum Gross Revenue volume as prescribed in Section 8.22.

(o) If Franchisee knowingly maintains false books or records or submits any false reports to Franchisor, its Affiliates or any third-party vendor or supplier.

10.3 Termination Subject to Opportunity to Cure

Except as otherwise described in this Section, the following are Events of Default that Franchisee may cure by taking appropriate remedial action within the applicable cure period. If Franchisee fails to cure such an Event of Default, Franchisor may terminate the Franchise Agreement or take any of the other actions this Agreement permits.

(a) Franchisee fails to pay or expend in full when due any Continuing Royalties and other payments to Franchisor, or any trade account (including shipping charges) payable to Franchisor or its Affiliates, including for Products, and fails to cure such default by making payment in full, including any applicable interest as provided by this Agreement, within 5 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(b) Franchisee fails to pay any trade obligation due to a vendor with whom Franchisor or any of its Affiliates does business, as a result of which the vendor withholds or threatens to withhold the sale of goods or services, or withdraws or threatens to withdraw the availability of normal trade terms, to Franchisee, Franchisor, any Franchisor Affiliate or another franchisee, and fails to cure such default within 30 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(c) Franchisee fails to fulfill any requirement, to perform any obligation, or to observe any restrictions set forth in this Agreement or the Manual, including without limitation obligations or restrictions regarding the development, participation in initial training, opening and operations of the Franchised Business and use, offer or sale of Products in connection with the Franchised Business, or any other condition or restriction contained in this Agreement and not otherwise addressed in this Section, and fails to cure such default within 30 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(d) Franchisee fails to fulfill any requirement or to perform any obligation with respect to advertising and promotions (other than with respect to payment or expenditure of Continuing Fees) and fails to cure such default within 15 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(e) Franchisee or any other Person bound under this Agreement fails or refuses to honor a request for indemnification under this Agreement and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(f) Franchisee or any other Person bound under this Agreement breaches (a) any restriction or obligation relating to advertising or use of the internet set forth in this Agreement or any related terms of use agreement, or (b) any covenant or obligation relating to Franchisor's intellectual property rights set forth in this Agreement or otherwise makes any unauthorized use of a Mark, an item of Copyrighted Materials or an element of the System and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(g) Franchisee or any agent, representative or employee of Franchisee (a) violates any law, rule or regulation in connection with the operation of Franchisee's Franchised Business,

or (b) fails to obtain, prior to opening, one or more of the licenses, permits or certificates required to operate a Franchised Business (including any licenses to operate motor vehicles) in accordance with the brand standards, or if such certificates are suspended or terminated for any reason and fails to cure such default by promptly notifying Franchisor and taking all necessary action as approved by Franchisor to cure such violation within 72 hours after Franchisee receives notice of the violation.

(h) Franchisee fails to comply with any notification, investigation and/or remediation requirements implemented by Franchisor during any Crisis Management Event, and/or fails to cure such default within 48 hours after Franchisor notifies Franchisee in writing of the remedial action to be taken.

10.4 Description of Default

The description of any breach, default, or failure of a condition in any notice served by Franchisor upon Franchisee will in no way preclude Franchisor from specifying additional or supplemental breaches, defaults, or failures of conditions (including matters discovered after the termination is effective) in any action, arbitration, mediation, hearing, or suit relating to this Agreement or the termination of this Agreement.

10.5 Statutory Limitations

In spite of anything to the contrary in this Section 10, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties limits Franchisor's right to terminate this Agreement or requires longer notice periods than those stated in this Agreement, and if the parties are prohibited by law from agreeing to the shorter periods stated in this Agreement, then Franchisor will conform to the requirements of those laws and regulations, but only to the extent necessary to bring Franchisor's actions within the requirements of the law or regulation.

10.6 Alternative Remedies

In those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion: (a) redirect customer leads generated by Franchisor on Franchisee's behalf to other franchisees as contemplated in section 2.2(d); and/or (b) grant to Franchisee, in lieu of immediate termination of this Agreement, (i) an extended period of time (not to exceed six months from the last day of the cure period otherwise applicable to the breach) to cure the breach which gave rise to Franchisor's right to terminate, (ii) an option to reimburse Franchisor up to $1,000 for investigating the breach of this Agreement, or (iii) if the breach consists of the offer or sale of closet organizers in the territory assigned to another franchisee of Franchisor, require Franchisee to pay, as liquidated damages, and not a penalty, an amount equal to 100% of the total gross sales generated by sales in the other franchisee's territory (which shall be used in Franchisor's discretion to reimburse the other franchisee for the value of the business diverted, including lost goodwill, and to compensate Franchisor for its costs of investigating Franchisee's breach). Franchisee acknowledges that Franchisor's election to grant an extended cure period or to permit

a reimbursement will not operate as a waiver of any of Franchisor's other rights under this Agreement.

11. DISPUTE RESOLUTION

11.1 Alternate Dispute Resolution

Except for the disputes described in Section 11.2 of this Agreement and except as otherwise specifically modified by this Section 11, any dispute between Franchisor and any of its Affiliates, on the one hand, and Franchisee and any of its Affiliates, on the other, arising out of, relating to or referencing this Agreement or its breach in any way, including any claim sounding in tort arising out of the relationship created by this Agreement, and any claim that this Agreement or any other of its parts is invalid, illegal, or otherwise voidable or void, is subject to the dispute resolution provisions described in Section 11 of this Agreement.

11.2 Disputes Not Subject To Alternate Dispute Resolution

Franchisee acknowledges that it is important that Franchisor be able to use reasonable efforts to protect the Marks, the System, and the integrity of the Marks and the System. To that end, Franchisor may, at its option, seek injunctive or other equitable relief to enforce the provisions of Section 6 (Intellectual Property), Section 7.8 (Proprietary Materials), Section 8.10 (No Competing. Businesses), or Section 12.1 (Franchisee's Obligations Following Termination or Expiration) of this Agreement, or the provisions of any separate confidentiality or non-disclosure agreement between Franchisor or its Affiliates (on the one hand) and Franchisee or its Affiliates (on the other hand) in the Court specified by Section 11.6.

11.3 Option to Mediate Dispute

(a) In the event of a dispute between the parties, either party may initiate a mediation procedure in accordance with this Section 11.3 by making a written request for mediation with the Judicial Arbitration and Mediation Service (JAMS), the National Franchise Mediation Program administered by the CPR Center for Dispute Resolution of New York, or any other mediation service mutually agreed to by the parties. Any mediation will be conducted according to the procedures of the selected mediation service.

(b) The object of any mediation subject to this Section 11.3 is to assist the parties in reaching a mutually acceptable resolution of the dispute. The mediation will, in all circumstances, be consistent with the rights and obligations created by this Agreement and will not be premised on the derogation or diminution of those rights or disregard of those rights. The mediation process will begin promptly and be concluded expeditiously, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings, or other statements by the mediator and/or the parties made in connection with the mediation will be privileged and confidential and will not be admissible into evidence in any litigation or arbitration.

(c) All mediation proceedings will take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the mediator will be borne equally by Franchisor and Franchisee, and all other

expenses relating to the mediation will be borne by the party incurring them.

11.4 Arbitration

(a) Except disputes not subject to alternative dispute resolution as described in Section 11.2 above, any dispute between Franchisor or any of its Affiliates (on the one hand) and Franchisee or any of its Affiliates (on the other hand) arising out of or relating to this Agreement or its breach, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 11.3 above, will be resolved by submission to arbitration conducted by a single impartial arbitrator appointed by JAMS according to its Comprehensive Arbitration Rules and Procedures, or any other single impartial arbitrator mutually agreed to by the parties.

(b) All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Section 11 will be governed by the Federal Arbitration Act (9 U.S.C. 1 et seq.) and the federal common law of arbitration. All hearings and other proceedings will take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the arbitrator will be borne equally by Franchisor and Franchisee, and all other expenses relating to the arbitration will be borne by the party incurring them.

(c) This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise in spite of the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final, and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are waived.

11.5 Business Judgment

The parties recognize, and any arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) action in the exercise of its business judgment, based on its assessment of the overall best interests of all people operating under the Marks. Where that discretion has been exercised, and is supported by the business judgment of Franchisor, neither an arbitrator nor a judge may substitute his or her judgment for the judgment exercised by Franchisor unless the arbitrator or judge finds that Franchisor has exercised its judgment or discretion without any reasonable business basis for it. Whenever Franchisor has a right and/or the discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make that decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in the best interests of the System. Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, can be made without regard to whether: (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (b) Franchisor's decision or

the action taken promotes Franchisor's financial or other individual interest; (c) Franchisor's decision or the action taken applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or affiliate-owned operations; or (d) Franchisor's decision or the action taken is adverse to Franchisee's interests. Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

11.6 Venue, Submission to Court, Limitation of Damages

In view of the fact that the books, records and business personnel of Franchisor are located in Orange County, California, and in order to minimize disruption or interference with operation of (and Franchisor's support to) all persons operating under the Marks, Franchisee and Franchisor agree as follows:

(a) All court proceedings arising out of or relating to this Agreement (including matters described in Section 11.2 above) will be brought in, and only in, the United States District Court for the Central District of California. No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in, and only in, a state court of competent jurisdiction in and for Orange County, California. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

(b) The parties agree that all disputes submitted to the court under Section 11.2 will be tried to the court sitting without a jury, in spite of any state or federal constitutional or statutory rights or provisions.

(c) Except with respect to Franchisee's and each Equity Holder's obligation to indemnify Franchisor and claims Franchisor brings for Franchisee's unauthorized use of the marks or unauthorized use or disclosure of any trade secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of any Action between the parties, the parties bringing the Action will be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however, that Franchisor will have the right to seek and recover lost profits and/or all applicable liquidated damages afforded under this Agreement in the event of termination of this Agreement.

11.7 Liquidated Damages

If Franchisee ceases to operate the Franchised Business or otherwise abandons the

Franchised Business prior to the expiration of the Initial Term or any renewal term, without Franchisor's prior written consent, such cessation or abandonment shall constitute a material breach of this Agreement. In such event, Franchisee shall pay to Franchisor, as liquidated damages and not as a penalty, an amount equal to the average monthly Continuing Royalty and National Advertising Fund contributions paid by Franchisee during the twelve (12) full calendar months immediately preceding the date of abandonment (or the number of full calendar months the Franchised Business was in operation, if less than twelve), multiplied by the number of months remaining in the then-current term of this Agreement. The parties agree that the actual damages resulting from such abandonment would be difficult to ascertain and that the forgoing liquidated damages represent a fair and reasonable estimate fo the damages that Franchisor would incur as a result of such breach.

11.8 Independence of Provisions

The provisions of this Section 11 are independent of any other covenant or provision of this Agreement. If any part of this Section 11 is held to be indefinite, invalid, unconscionable, or otherwise unenforceable by a court of competent jurisdiction, the indefinite, invalid, unconscionable, or unenforceable provision will be considered deleted, and the remaining parts of this Section 11 will continue in full force and effect. If the court determines that deletion of portions of this Section 11 would lead to an unintelligible provision, the parties request the court to modify or interpret the provisions to the minimum extent necessary to have them comply with the law while retaining the essence of the parties' agreement.

12. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION

12.1 Franchisee's Obligations following Termination or Expiration

(a) In the event of termination or expiration of this Agreement, whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to any other obligations provided for in this Agreement, Franchisee will immediately discontinue the use and/or display in any manner of the Marks and all Materials containing or bearing the Marks. Franchisee will not thereafter operate or do business under the Marks or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor. In that event, Franchisee also will comply with Section 12.1(b)(vii) respecting the turn to Franchisor of certain materials and will not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements to any of them; or (ii) any forms, advertising matter, Marks, devices, insignias, slogans, or designs used from time to time in connection with the Franchised Business.

(b) Among the steps that Franchisee must take as a result of termination or expiration of this Agreement as described in Section 12.1(a) above, Franchisee will promptly take the following steps:

(i) Franchisee will remove at Franchisee's expense identifying Marks on the Vehicle and all other signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor.

(ii) Franchisee will erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor.

(iii) Franchisee will permanently discontinue all advertising to the effect that Franchisee is associated or affiliated with Franchisor.

(iv) Franchisee will refrain from doing anything that might indicate that Franchisee is or ever was an authorized franchisee of the Marks or the System, including indicating, directly or indirectly, that Franchisee was licensed to use the Marks or any other distinctive System features or that Franchisee at any time operated under any name, word, or mark associated or affiliated with Franchisor.

(v) If Franchisee engages in any business thereafter, Franchisee will use trade names, Marks, or trademarks (if any) which are significantly different from the Marks and use sign formats (if any) which are significantly different in color and type face and take all necessary steps to ensure that its Affiliates observe the foregoing obligations.

(vi) Assign to Franchisor all interest and right to use all telephone numbers and all listings applicable to the Franchised Business in use at the time of the termination and take all action necessary to change all telephone numbers immediately and change all listings as soon as possible including payment of any outstanding invoices payable to telephone service providers.

(vii) At the option of Franchisor, Franchisee will assign to Franchisor all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business. Furthermore, Franchisee will sign any forms or documents that Franchisor considers necessary to appoint Franchisor as Franchisee's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to Franchisor.

(c) If Franchisee fails to make or cause to be made any removal or change described in Section 12.1(b) above, then Franchisor may, after 15 days written notice, enter upon Franchisee's premises upon which the Franchised Business was being conducted without being considered guilty of trespass or any other tort, and make or cause to be made the required changes at the expense of Franchisee, which expense Franchisee agrees to pay Franchisor promptly upon demand. Franchisee irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the

purpose of terminating any and all of Franchisee's rights in the fictitious business name and any of the Marks.

12.2 Rights of Franchisor

The expiration or termination of this Agreement will be without prejudice to any rights of Franchisor against Franchisee and the expiration or termination will not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee which, by their nature, survive the expiration or termination of this Agreement.

12.3 Franchisor's Right to Cure Defaults by Franchisee

In addition to all other remedies granted by this Agreement, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to Franchisee, cure the default for the account of and on behalf of Franchisee, and all costs or expenses (including attorney fees) incurred by Franchisor on account of curing the default will be due and payable by Franchisee to Franchisor on demand.

12.4 Waiver and Delay

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal, or neglect of Franchisor either to exercise any right, power, or option given to it under this Agreement or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Manual, will constitute a waiver of the provisions of this Agreement or the Manual with respect to any subsequent breach of the same or any other provision of this Agreement or the Manual, or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions of this Agreement or the Manual.

12.5 Attorney Fees and Expenses

In the event of any arbitration (including any petition for confirmation, modification, or vacation of the award) or litigation (including appeals) arising out of or relating to this Agreement, the breach or alleged breach of this Agreement, or the relationship of the parties, then the prevailing party will be reimbursed by the losing party for all costs and expenses incurred in connection with them, including reasonable attorney fees for the services rendered to the prevailing party.

13. GENERAL CONDITIONS AND PROVISIONS

13.1 Relationship of Franchisee to Franchisor

The parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to

create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner, fiduciary, or co-venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner, or co-venturer of Franchisor. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be considered employees or agents of Franchisor, nor subject to Franchisor's control, and in particular, Franchisor will have no authority to exercise control over the hiring or termination of employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or the day-to- day activities of those people, except to the extent necessary to protect the Marks. Franchisee agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Each of the parties agrees to file its own tax, regulatory, and payroll reports with respect to its respective employees or agents and operations, and to indemnify the other party against any liability by virtue of the tax, regulatory, and payroll reports filed by the party.

13.2 No Liability

Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage suffered by any person or property directly or indirectly arising out of Franchisee's operation of the Franchised Business. Franchisor will have no liability for Franchisee's obligations to pay third parties, including any landlords and product vendors.

13.3 Indemnity

(a) Franchisee and the Owners, jointly and severally, will, at all times and to the fullest extent permitted by law, indemnify the Indemnified Parties from and defend them against all Losses and Expenses of any of the Indemnified Parties that arise out of or are based upon any of the following:

(i) The operation or condition of any part of the Franchised Business or the site on which the Franchised Business is located, the conduct of business at the Franchised Business and any acts or omissions of Franchisee or Franchisee's employees, agents or contractors, including with respect to the collection or use of customer information.

(ii) The infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of the Owners of any patent, trademark, copyright, or other proprietary right owned or controlled by third parties unless, and to the extent that, the Action is based upon or arises from franchisee's authorized use of the Marks in strict compliance with the terms of this Agreement.

(iii) The violation or breach by Franchisee or any of the Owners of any law, regulation, ruling or industry standard, including but not limited to, labor

and employment law, regulation, ruling or industry standard related to Franchisee's employees and agents and any national and municipal laws governing the generation, use or disposal of hazardous waste or hazardous materials and any and all other laws designed to protect the environment.

(iv) Franchisee's failure to obtain and maintain the types and amount of insurance coverage set forth in the Manual or otherwise required by Franchisor.

(v) Libel, slander, or any other form of defamation of the Indemnified Parties, the System or any other franchisee by Franchisee or any of the Owners.

(vi) The violation or breach by Franchisee, or any of its Affiliates or Owners of any warranty, representation, agreement or obligation in this Agreement or other agreement between Franchisee or its Affiliates and one or more of the Indemnified Parties.

(vii) Acts, errors, or omissions of Franchisee, its Affiliates, the Owners and their respective owners, officers, employees, agents and representatives in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

(viii) Any and all encumbrances, liens, assessments, leveies, charges, surcharges, demands for payment, taxes or any other liabilities imposed on Franchisor or on or as a result of any payment due to or paid to Franchisor under this Agreement, by any taxing authority or any political subdivision, instrumentality, agency or other body of any government or taxing authority.

(ix) Any actual or alleged claim that Franchisor and Franchisee are joint employers of any Franchisee employee or personnel.

(x) Any Transfer by Franchisee referred to in Section 9.2.

(xi) Acts or omissions of Franchisee which tend to create an impression that the relationship between the parties is other than one of Franchisor and Franchisee.

(b) Franchisee and each of the Owners agrees to give Franchisor immediate notice of any Action subject to indemnification under this Agreement. At the expense and risk of Franchisee and each of the Owners, Franchisor may elect to control (but under no circumstances is obligated to undertake), and associate counsel of its own choosing with respect to, the defense and/or settlement of any such Action. Such an undertaking by Franchisor will, in no manner or form, diminish the obligation of Franchisee and each of the Owners to indemnify the Indemnified Parties and to hold them harmless.

(c) In order to protect persons or property or the reputation or goodwill of itself of others, Franchisor may, at any time and without notice, as it deems appropriate, consent

or agree to settlements or take such other remedial or correction action as it deems expedient with respect to the Action if, in Franchisor's judgment, there are grounds to believe that:

(xii) Any of the acts or circumstances enumerated in this Section has occurred; or

(xiii) Any act, error or omission as described in this Section may result directly or indirectly in damage, injury or harm to any Person or any property.

(d) All Losses and Expenses incurred under this Section will be chargeable to and paid by Franchisee or any of the Owners pursuant and subject to their respective obligations of indemnity under this Section, regardless of any action, activity, or defense undertaken by Franchisor or the subsequent success or failure of that action, activity, or defense.

THE INDEMNIFIED PARTIES DO NOT ASSUME ANY LIABILITY WHATSOEVER FOR ACTS, ERRORS, OR OMISSIONS OF THOSE WITH WHOM FRANCHISEE, ANY OF ITS AFFILIATES OR ANY OF THE OWNERS, MAY CONTRACT. FRANCHISEE AND EACH OF FRANCHISEE'S OWNERS THAT EXECUTE THE PERSONAL COVENANT AND GUARANTEE WILL HOLD HARMLESS AND INDEMNIFY THE INDEMNIFIED PARTIES FROM ALL LOSSES AND EXPENSES THAT MAY ARISE OUT OF ANY ACTS, ERRORS, OR OMISSIONS OF FRANCHISEE, ITS AFFILIATES AND THE OWNERS AND ANY SUCH THIRD PARTIES, WITHOUT LIMITATION AND WITHOUT REGARD TO THE CAUSE OR CAUSES OF THE ACTS, ERRORS OR OMISSIONS OR THE NEGLIGENCE (WHETHER THAT NEGLIGENCE IS SOLE, JOINT, OR CONCURRENT, AND WHETHER ACTIVE OR PASSIVE) OR STRICT LIABILITY OF ANY OF THE INDEMNIFIED PARTIES OR ANY OTHER PARTY OR PARTIES ARISING IN CONNECTION THEREWITH, IN CONNECTION WITH THE ESTABLISHMENT AND OPERATION OF THE FRANCHISED BUSINESS, INCLUDING, BUT NOT LIMITED TO, ANY ACTS, ERRORS OR OMISSIONS OF ANY OF THE FOREGOING IN THE OPERATION OF ANY MOTOR VEHICLES, IN THE ESTABLISHMENT OR IMPLEMENTATION OF SECURITY FOR THE FRANCHISED BUSINESS, IN THE USE OF ANY INTERNET SITE OR INTRANET NETWORK DEVELOPED BY FRANCHISOR, ACTS OF ANY THIRD PARTIES, OR ACTS OR CLAIMS ARISING FROM THIS AGREEMENT.

13.4 Survival of Covenants

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable in spite of the expiration or other termination of this Agreement.

13.5 Successors and Assigns

This Agreement will be binding upon and benefit the successors and assigns of Franchisor and Franchisee and their respective heirs, executors, administrators, successors, and assigns, subject to the restrictions on Assignment by Franchisee contained in this Agreement.

13.6 Joint and Several Liability

If Franchisee consists of more than one person, the obligation and liabilities to Franchisor of each person are joint and several.

13.7 Counterparts

This Agreement may be signed in any number of copies, each of which will be considered to be an original, and all of which together will be considered to be one and the same instrument.

13.8 Notices

(a) All notices which the parties may be required or may desire to give under or in connection with this Agreement will be in writing and will be sent either by certified mail, return receipt requested, postage prepaid, or by reliable overnight delivery service, addressed as follows:

(i) If to Franchisor, to:

ORGANIZED SPACES, LLC
19000 MacArthur Boulevard, Suite 100
Irvine, CA 92612
Attention: President

With a copy to:

HOME FRANCHISE CONCEPTS, LLC
19000 MacArthur Boulevard, Suite 100
Irvine, CA 92612
Attention: General Counsel

(ii) If to Franchisee, to the attention of the Manager at the address indicated in Section 16.2(c).

(b) Notices sent in accordance with this Section 13.8 will be considered given three business days after deposit with the United States Postal Service or the next business day after deposit with a reliable overnight delivery service.

(c) The addresses given in this Agreement for notices may be changed at any time by either party by written notice given to the other party as provided in this Agreement. If the address to which notices are otherwise required to be given under this Section 13.8 is known or believed by the person giving notice no longer to be valid, notices will also be sent to the last known valid address of the party receiving the notice.

13.9 Franchisor's Discretion

Whenever Franchisor has a right and/or the discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise

expressly and specifically provided in this Agreement, Franchisor may make that decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in the best interests of the System. Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, can be made without regard to whether: (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (b) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (c) Franchisor's decision or the action taken applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or affiliate-owned operations; or (d) Franchisor's decision or the action taken is adverse to Franchisee's interests. Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

13.10 Terrorist and Money Laundering Activities

Franchisee and the Principals represent and warrant to Franchisor that neither Franchisee, nor any Principal, nor any of their respective Affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control. Further, Franchisee and the Principals represent and warrant that neither they nor any Principal or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act, U.S. Executive Order 13224, or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee and the Principals will immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

14. CONSTRUCTION OF AGREEMENT

14.1 Governing Law

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non- competition provisions. Except as otherwise provided in Section 10 and this section, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of California. Franchisee waives, to the fullest extent permitted by law, the rights and protections that might be provided

through the laws of any state relating to franchises or business opportunities, other than those of the state in which the Territory is located.

14.2 Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related Agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document.

14.3 Modification

This Agreement cannot be modified or changed except by (i) written instrument signed by all of the parties, or (ii) by Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent and which will be effective immediately upon notice.

14.4 Titles for Convenience Only

Section titles used in this Agreement are for convenience only and will not be considered to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

14.5 Gender

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section may require.

14.6 Severability

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Manual and any present or future statute, law, ordinance, regulation, or judicial decision, contrary to which the parties have no legal right to contract, the statute, law, ordinance, regulation, or judicial decision will prevail, but in that event the provision of this Agreement or the Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, Section, sentence, or clause of this Agreement or the Manual is held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be considered deleted, and the remaining parts will continue in full force and effect, unless the provision pertains to the payment of fees under Section 4, in which case this Agreement will terminate.

14.7 No Third Party Beneficiaries

This Agreement is not intended to benefit any other person except the named parties. No other person may claim any rights under this Agreement by virtue of so-called "third party

beneficiary rights" or otherwise.

14.8 Examples Not Exclusive

The verb "to include" (in all its tenses and variations, such as "including) is always used in a non-exclusive sense (as if followed by one of the phrases "without limitation" or "but not limited to). The failure to list a particular example after a variation of the word "including" is not to be construed as an indication that the example is excluded.

14.9 "Person" Inclusive

The term "person" means all forms of juridical persons, including individuals, partnerships, corporations, trusts, unincorporated associations, and governmental entities.

15. SUBMISSION OF AGREEMENT

The submission of this Agreement to Franchisee does not constitute an offer, and this Agreement will become effective only upon the signing of this Agreement by both Franchisor and Franchisee. This Agreement will not be binding on Franchisor unless and until it has been accepted and signed by the President or other executive officer of Franchisor. This Agreement may not become effective until and unless Franchisee has been furnished by Franchisor with any disclosure, in written form, required under or according to applicable law.

16. ACKNOWLEDGMENTS AND REPRESENTATIONS OF FRANCHISEE

16.1 Certain Acknowledgments and Representations of Franchisee

(a) If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

(b) Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manual, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manual. Franchisee represents that it has the capabilities, professionally, financially, and otherwise, to comply with the standards of Franchisor.

(c) If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

(d) The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(e) Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if

applicable, all of its partners, if Franchisee is a partnership.

(f) Franchisee has (or if Franchisee is not an individual, Franchisee's principals have) carefully read this Agreement and all other related documents to be signed by Franchisee concurrently or in conjunction with the signing of this Agreement. Franchisee has had the opportunity to obtain the advice of legal counsel in connection with the signing and delivery of this Agreement, understands the nature of this Agreement, and intends to comply with this Agreement and to be bound by this Agreement.

(g) The formation of this Agreement and the disclosures made in connection with the relationship described in this Agreement are governed in part by the franchise relations acts, the franchise investment laws, the franchise disclosure laws and the regulations promulgated under those laws and regulations in the states in which Franchisor and its franchisees do or intend to do business. Those laws, regulations, and disclosure requirements have been implemented for the protection and benefit of franchisees and prospective franchisees. Franchisee acknowledges that it has been advised to obtain legal advice and counsel to evaluate the opportunity of becoming a franchisee of Franchisor and the benefits and duties of this Agreement. Franchisee acknowledges that it has chosen to enter into this Agreement solely based upon its independent judgment as to its needs at a time when other franchise and franchise opportunities were available. No promises or assurances have been made by Franchisor other than as explicitly stated in this Agreement.

16.2 Additional Information Respecting Franchisee

(a) Attached as Schedule 4 is a schedule containing complete information respecting the owners, partners, members, officers, and directors, as the case may be, of Franchisee.

(b) Unless otherwise disclosed to Franchisor in writing, Franchisee's financial and other records will be maintained at Franchisee's principal place of business indicated in Section 3.1.

(c) The name and business address of Franchisee's Manager is:

_____
_____
_____

Franchisee will deliver, under Section 13.7, written notice of any change in this information after the Effective Date.

(d) Franchisee has delivered to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including (as appropriate) all partnership agreements, certificates of partnership, Articles or certificates of incorporation, by-laws, shareholder agreements, and operating agreements, as well as all amendments, side letters, and other items modifying any of those documents.

(e) The Term (as described in Section 5.1) of this Agreement expires on _____.

IN WITNESS TO WHICH, the parties to this Agreement have caused this Agreement to be signed on or as of the dates indicated below:

FRANCHISOR
ORGANIZED SPACES, LLC

Date: _____

By: _____
Jarrett Smith, President

Sign here if Franchisee is an individual:

FRANCHISEE

Date:_____

_____

Name: _____

Sign here if Franchisee is a company:

FRANCHISEE

Company Name:_____

Date:_____

By: _____

Name: _____

Title:_____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to Franchisee concerning termination, transfer and nonrenewal of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to Franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.

b. If Franchisee is required in the Franchise Agreement to execute a release of claims, such release will exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.

c. If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

d. If the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Franchise Agreement, the covenant may be unenforceable under California law.

e. If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

f. If the Franchise Agreement requires that it be governed by a state's law, other than the State of California, such requirement may be unenforceable.

g. If the Franchise Agreement requires an interest rate greater than 10% per annum (the highest amount allowed in California), such interest rate will be reduced to 10% per annum.

h. Nothing in this or in any related agreement, however, is intended to disclaim

the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

i. The last two paragraphs of Section 16.1 in the Franchise Agreement are deleted in their entirely and not applicable in the State of California.

2. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Its: _____	Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF HAWAII

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

HAWAII LAW MODIFICATIONS

The following provisions apply to you if you live in Hawaii or your business will be located in Hawaii:

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.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994) (the "Act"). To the extent that this Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

Illinois law governs the Franchise Agreement.

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 other law of Illinois is void.

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

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of Illinois law applicable to the provisions are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

[CONTINUED AND EXECUTED ON THE FOLLOWING PAGE]

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. § 14-201 et. seq. (2015 Repl. Vol.). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Franchisee is required in this Agreement to execute a release of claims and/or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act. Such release will exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments will be void with respect to claims under the Law.

b. This Agreement requires litigation to be conducted in a forum other than the State of Maryland. The requirement will not be interpreted to limit any rights Franchisee may have under Sec. 14-216 (c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.

b. The general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

c. This Agreement is hereby amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

d. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. This Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. All representations in this Agreement requiring prospective franchisees to assent to any release, estoppel or waiver of liability are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law resulting from the offer or sale of the franchise.

e. Sections 16.1(f) and 16.1(g) in the Franchise Agreement are deleted in their entirely and not applicable in the State of Maryland.

f. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

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

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

IN WITNESS WHEREOF, Franchisee acknowledges that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Its: _____	Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Franchise Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that Franchisee's use of the Marks infringes trademark rights of the third-party. Franchisor does not indemnify against the consequences of Franchisee's use of the Marks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement will be superseded by the Act's requirements and will have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that Franchisee be given written notice of a Franchisor's intention not to renew 180 days prior to expiration of the franchise and that Franchisee be given sufficient opportunity to operate the franchise in order to enable Franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement will be superseded by the Act's requirements and will have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure). If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement will be superseded by the Act's requirements and will have no force or effect.

d. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release will exclude claims arising under the Franchise Act, and such

acknowledgments will be void with respect to claims under the Act.

e. If the Franchise Agreement and/or the Franchise Disclosure Document requires that it be governed by a state's law, other than the State of Minnesota, those provisions will not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to sue Franchisor outside the State of Minnesota, those provisions will not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Minn. Rule 2860.4400J. prohibits Franchisor from requiring Franchisee to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement and/or the Franchise Disclosure Document will be superseded by the Minn. Rule's requirements and will have no force or effect.

h. Notwithstanding anything to the contrary contained in this Agreement, Franchisor will protect Franchisee's right to use the Franchisor's trademarks, service marks, trade names, logotypes or other commercial symbols licensed under this Agreement or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use thereof.

2. Each provision of this Agreement and/or the Franchise Disclosure Document will be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release will exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. If the Franchise Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

c. Notwithstanding any rights Franchisee may have in the Franchise Agreement permitting Franchisee to terminate the Franchise Agreement, Franchisee may also have additional rights to terminate the Franchise Agreement on any grounds available by law.

d. With respect to any transfer or assignment by Franchisor, no assignment will be made except to an assignee who, in good faith and judgment of Franchisor, is willing and financially able to assume Franchisor's obligations under the Franchise Agreement.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release will exclude claims arising under North Dakota Law, and such acknowledgments will be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota Law. If the Franchise Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.

d. If the Franchise Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of North Dakota Law, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee have initiated.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

ADDENDUM TO ORGANIZED SPACES
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

The Franchise Agreement between _____ ("Franchisee" or "Franchisee") and Organized Spaces, LLC ("Franchisor") dated _____ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.

b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.

c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release will exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments will be void with respect to claims under the Act.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee have initiated.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

WASHINGTON ADDENDUM
TO THE ORGANIZED SPACES FRANCHISE AGREEMENT
AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement

under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee

of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Further, Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

16.1 Certain Acknowledgments and Representations of Franchisee

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals.

If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

Any individual signing this Agreement on behalf of Franchisee is duly

authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this_____ day of_____ 20_____.

FRANCHISOR	**FRANCHISEE**
Organized Spaces, LLC, **a California limited liability company**	_____ _____
By: _____ Print Name: _____ Its: _____	By: _____ Print Name: _____ Its: _____
Effective Date: _____	Date: _____

PERSONAL COVENANT AND GUARANTEE

In consideration of, and as an inducement to, the execution of the Franchise Agreement with the date set forth below, including any exhibits and amendments thereto (the "Franchise Agreement"), by and between Organized Spaces, LLC, a California limited liability company ("Franchisor") and the Franchisee named below ("Franchisee"), each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Franchisee will punctually pay and perform the agreements and covenants expressly provided by the terms of the Franchise Agreement; and (2) acknowledges that each is a person having direct or indirect "Control" (as defined in the Franchise Agreement) or direct or indirect beneficial ownership interest in Franchisee (each an "Owner") and without limiting any guarantee of Franchisee's obligations under the Franchise Agreement, jointly and severally makes all of the covenants, representations, warranties and agreements set forth in the Franchise Agreement and is jointly and severally obligated to perform thereunder for so long as he or she qualifies as an Owner and thereafter to the extent expressly provided by the terms of the Franchise Agreement, including, but not limited to, the covenants, representations, warranties and agreements described in the following sections of the Franchise Agreement: Sections 8.10 and 8.20 (regarding non-competition and confidentiality), 9.2 (regarding Transfer), 13.3 (regarding indemnification), 11.3, 11.4, and 14.1 (regarding dispute resolution and governing law and dispute resolution) and 8.6(d) and 10.6 (Liquidated Damages), and (3) represents that each and every representation of Franchisee made in connection with the Franchise Agreement is true, correct and complete in all respects as of the time given and as of the time of the undersigned's execution of this Personal Covenant and Guarantee. Any capitalized terms used but not defined in this Personal Covenant and Guarantee will have the meaning set forth in the Franchise Agreement.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the Franchise Agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his or her direct and immediate liability under this Personal Covenant and Guarantee will be joint and several; (ii) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability will not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Personal Covenant and Guarantee, which will be continuing and irrevocable until satisfied in full.

Each of the undersigned agrees that any actions arising out of or related to this Personal Covenant and Guarantee must be initiated and arbitrated or litigated to conclusion in accordance with the Dispute resolution terms and conditions of the Franchise Agreement, which specifically apply the dispute resolution provisions in Sections 11.3 and 11.4 of the Franchise Agreement.

Each of the undersigned further acknowledges and agrees as follows:

Each has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Personal Covenant and Guarantee is in partial consideration for, and a condition to the granting of the rights to the Marks and the System, and the Franchisor would not have granted such rights without the execution of this Personal Covenant and Guarantee by each of the undersigned;

This Personal Covenant and Guarantee will remain in force notwithstanding the death of the undersigned, and will be binding on the undersigned's personal representatives; and

This Personal Covenant and Guarantee will continue and will be enforceable notwithstanding any change in the name or the constitution of the Franchisor or Franchisee.

Each of the undersigned represents and warrants that the following is a complete and accurate list of all Owners of Franchisee and a full description of the nature and extent of each Owners' direct or indirect Control or ownership interest in Franchisee. Franchisee, and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Personal Covenant and Guarantee.

Name of Franchisee: _____

Date of Franchise Agreement: _____

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same day and year as the Franchise Agreement was executed.

OWNERSHIP INTEREST IN/ ROLE WITH FRANCHISEE:	**OWNER(S):**
_____	_____ (Signature)
_____	_____ (Print Name)
_____	_____ (Signature)
_____	_____ (Print Name)
_____	_____ (Signature)
_____	_____ (Print Name)

SCHEDULE 1

DESCRIPTION OF TERRITORY

The Territory franchised to Franchisee consists of the following ZIP Codes (as defined by the United States Postal Service):

The Territory is commonly identified as "THE TAILORED CLOSET of _____."

SCHEDULE 2

THE TAILORED CLOSET® START-UP PACKAGE

The Start-Up Package consists of the following:

1. Credit of $1,000 for costs of attending Initial Training.
2. Stationery (500 letterhead, envelopes, business cards, and invoices)
3. D'Vinci design software (1 license)
4. Samples (closet, home office)
5. 25 yard signs
6. Vehicle wrap (Franchisee to pay for installation)
7. Briefcase (1)
8. 5 THE TAILORED CLOSET® shirts
9. 2,500 door hangers
10. 50 brochures
11. Personalized web site
12. Trade show banner

SCHEDULE 3

SCHEDULE OF NAMES AND ADDRESSES OF OWNERS AND PRINCIPAL OFFICERS

1. If the prospective franchisee is an individual (sole proprietor), list below the name and residence address of the Franchisee:

_____

2. If the prospective franchisee is not an individual, list below the names, residence addresses, and respective percentage ownership interests of each person who owns a direct or indirect beneficial interest in the Franchisee (if more space is required, attached additional sheets):

a. _____ c. _____

_____ _____

_____% _____%

b. _____ d. _____

_____ _____

_____% _____%

SCHEDULE 4

3. If the prospective franchisee is not an individual, list the names, residence addresses, and respective titles of each individual who has or will have management authority with respect to Franchisee, including officers, directors, managers, and partners (if necessary, list other individuals on additional sheets attached):

a. Title:_____ c.Title:_____

b. Title:_____ d.Title: _____

_____ _____

SCHEDULE 4

EXHIBIT B

FINANCIAL STATEMENTS

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Financial Statements

As of and for the Years Ended December 31, 2025, 2024, and 2023

Home Franchise Concepts, LLC and Subsidiaries
Index

	Page
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Member's Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	8

Report of Independent Auditors

To the Management and Board of Directors of JM Family Enterprises, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Home Franchise Concepts, LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, of member's equity and of cash flows for each of the three years in the period ended December 31,2025, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 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 (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

PricewaterhouseCoopers LLP
545 NW 26th Street, Suite 800
Miami, Florida 33127
(305) 375 7400

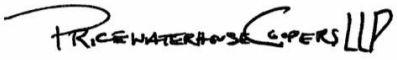
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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



Miami, Florida
February 16, 2026

Home Franchise Concepts, LLC and Subsidiaries
Consolidated Balance Sheets

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash	$ 20,068,280	$ 16,615,613
Accounts receivable, net of allowance for credit losses of $777,319 in 2025 and $649,994 in 2024	5,657,970	5,103,309
Notes receivable current, net of allowance for credit losses of $632,786 in 2025 and $630,809 in 2024	2,126,040	2,465,139
Rebates receivable, net of allowance for credit losses of $161,450 in 2025 and $172,847 in 2024	5,815,303	5,029,542
Prepaid expenses	9,942,425	8,197,983
Straight-line royalty assets, current	815,841	—
Other current assets	13,498	33,271
Assets held for sale	—	8,829,001
Total Current assets	44,439,357	46,273,858
Notes receivable long-term, net of allowance for credit losses of $650,290 in 2025 and $783,896 in 2024	4,825,311	6,190,063
Property and equipment, net	13,937,349	14,591,565
Operating lease right-of-use asset	8,297,738	9,885,961
Straight-line royalty assets, long-term	19,690,613	21,668,050
Intangible assets, net	354,103,748	353,843,907
Goodwill	240,767,402	240,767,402
Other assets	2,503,265	2,551,067
Total Assets	**$ 688,564,783**	**$ 695,771,873**
Liabilities and Member's equity		
Current liabilities		
Accounts payable	$ 1,139,707	$ 1,417,148
Accrued liabilities	13,971,695	12,577,936
Operating lease liability, current	1,905,350	1,885,225
Advertising advances and deposits	2,873,467	2,499,149
Deferred revenue	3,693,325	3,408,286
Straight-line royalty liabilities, current	—	152,319
Due to Parent	24,904,099	13,953,706
Liabilities held for sale	—	355,554
Total Current liabilities	48,487,643	36,249,323
Operating lease liability, long-term	9,736,959	11,442,283
Deferred income tax liability	83,136,931	76,853,503
Promissory note due to Parent	114,600,000	114,600,000
Total Liabilities	255,961,533	239,145,109
Commitments and Contingencies (Note 12)		
Member's equity	432,603,250	456,626,764
Total Liabilities and Member's equity	**$ 688,564,783**	**$ 695,771,873**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries
Consolidated Statements of Operations

	For the Years Ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Revenue			
Royalty income	$ 50,199,709	$ 49,030,088	$ 48,607,635
Gross sales rebates	41,927,269	42,280,473	42,094,481
Continuing franchise fees	32,887,717	32,674,742	31,345,062
Product and service sales	11,649,348	9,221,187	9,213,472
Initial franchise fees	7,804,419	9,115,958	10,608,348
Other sales	999,950	956,537	786,850
Total Revenue	145,468,412	143,278,985	142,655,848
Operating expenses			
Cost of product and service sales	11,142,146	8,272,012	8,040,397
Selling and advertising	26,318,394	29,243,902	30,375,941
Operating and administrative	76,983,079	78,274,378	80,473,983
Loss (gain) on disposal of assets	104,686	(162,023)	1,420,184
Goodwill impairment	—	3,482,257	1,408,106
Intangible impairment	47,250	25,326,587	—
Foreign exchange (gain) loss	(276,741)	445,790	(129,629)
Other operating expense (income)	460,160	(186,971)	(47,403)
Total Operating expenses	114,778,974	144,695,932	121,541,579
Income (loss) from operations	30,689,438	(1,416,947)	21,114,269
Other income (expense)			
Interest income	463,678	490,996	377,089
Interest expense	(4,392,635)	(4,535,969)	(5,687,538)
Other expense, net	(3,428,528)	(1,724,503)	(2,549,983)
Total Other income (expense)	(7,357,485)	(5,769,476)	(7,860,432)
Net income (loss) before income taxes	23,331,953	(7,186,423)	13,253,837
Provision (benefit) for income taxes	5,728,451	(3,126,687)	2,867,405
Net income (loss)	**$ 17,603,502**	**$ (4,059,736)**	**$ 10,386,432**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries
Consolidated Statements of Member's Equity

	Member's equity
Balance at January 1, 2024	$ 487,110,663
Net loss	(4,059,736)
Dividend to Parent	(26,424,163)
Balance at December 31, 2024	456,626,764
Net income	17,603,502
Dividend to Parent	(41,627,016)
Balance at December 31, 2025	**$ 432,603,250**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries
Consolidated Statements of Cash Flows

	For the Years Ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Cash flows from operating activities:			
Net income (loss)	$ 17,603,502	$ (4,059,736)	$ 10,386,432
Adjustments to reconcile Net income (loss) to Net cash provided by operating activities			
Depreciation and amortization	11,394,867	10,569,042	11,816,771
Amortization of operating right-of-use lease assets	1,588,223	1,541,398	2,313,981
Provision for credit losses - accounts receivable, net	1,116,080	1,274,222	988,181
Provision for credit losses - rebates receivable, net	161,450	172,847	—
Provision for credit losses - notes receivable, net	112,077	1,566,663	573,898
Loss (gain) on disposal of assets	104,686	(47,149)	1,232,619
Goodwill impairment	—	3,482,257	1,408,106
Trademark and intangible impairments	47,250	25,326,587	—
Foreign exchange (gain) loss	(276,741)	445,790	(129,629)
Deferred income tax liability	6,283,428	(3,482,079)	4,171,131
Interest expense due to Parent	4,392,635	4,535,969	5,687,538
Other	—	(114,874)	187,565
Decrease (increase) in assets:			
Accounts receivable	(1,302,760)	(2,359,763)	(359,834)
Notes receivable	2,038,329	(481,686)	(2,270,989)
Rebates receivable	(705,808)	744,477	1,099,554
Prepaid expenses	(1,850,879)	(951,951)	751,924
Straight-line royalty assets	2,514,843	1,596,544	(880,342)
Other current assets	19,773	17,814	116,384
Other assets	68,498	(2,234,052)	8,218
Increase (decrease) in liabilities:			
Accounts payable	(209,318)	452,163	(3,648,929)
Accrued liabilities	1,268,093	443,151	3,932,719
Operating lease liability	(1,685,199)	(1,655,636)	(2,694,789)
Advertising advances and deposits	136,845	205,807	(288,804)
Deferred revenue	264,539	1,582,097	(1,266,382)
Net cash provided by operating activities	43,084,413	38,569,902	33,135,323
Cash flows from investing activities:			
Purchase of property and equipment	(4,664,358)	(8,208,040)	(4,672,672)
Proceeds from sale of equipment	93,000	71,000	—
Decrease (increase) in note receivable, net	51,345	(851,503)	—
Reacquired franchise rights intangibles	(42,475)	(203,849)	—
Net cash used in investing activities	(4,562,488)	(9,192,392)	(4,672,672)
Cash flows from financing activities:			
Due to Parent	(35,069,258)	(28,739,664)	(27,670,504)
Net cash used in financing activities	(35,069,258)	(28,739,664)	(27,670,504)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries
Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows Continued

	For the Years Ended		
	December 31, 2025	**December 31, 2024**	**December 31, 2023**
Net increase in cash	3,452,667	637,846	792,147
Cash at beginning of period	16,615,613	15,977,767	15,185,620
Cash at end of period	**$ 20,068,280**	**$ 16,615,613**	**$ 15,977,767**
Supplemental cash flow information:			
Accrued capital expenditures	$ 113,780	$ 153,818	$ 123,298
Dividend to Parent	41,627,016	26,424,163	768,506
Transfer of property and equipment (from) to prepaid expenses	(127,385)	145,230	—

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries
Notes to the Consolidated Financial Statements

		Page
1.	THE COMPANY	9
2.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
3.	BRAND UPDATE	17
4.	UPDATE ON BRAND PREVIOUSLY CLASSIFIED AS HELD FOR SALE	17
5.	NOTES RECEIVABLE, NET	18
6.	PREPAID EXPENSES AND OTHER ASSETS	19
7.	PROPERTY AND EQUIPMENT, NET	20
8.	INTANGIBLE ASSETS, NET	21
9.	ACCRUED LIABILITIES	22
10.	INCOME TAXES	22
11.	DEBT	23
12.	COMMITMENTS AND CONTINGENCIES	24
13.	RETIREMENT PLAN	25
14.	REVENUE FROM CONTRACTS WITH CUSTOMERS	25
15.	SUBSEQUENT EVENTS	25

1. THE COMPANY

Home Franchise Concepts, LLC ("HFC" or the "Company") is principally engaged as a leading provider of franchise support services for franchisees in the home services sector. HFC provides centralized support functions, such as treasury, accounting, legal, IT, human resources and insurance to its wholly-owned subsidiaries and does not have any revenue-generating operations of its own.

Organizational Structure

HFC is a wholly-owned subsidiary of JM Franchise Holdings, Inc., which is, in turn, a wholly-owned subsidiary of JM Family Enterprises, Inc. ("Parent").

Principal Subsidiaries and Brands

The Company's wholly-owned subsidiaries include both brands and certain subsidiaries that facilitate services for certain brands' franchisees:

Subsidiary/Brand	Description
AdvantaClean Systems, LLC ("ACS")	Restoration and remediation services brand
American Decorative Coatings, LLC doing business as Concrete Craft ("CC")	Decorative concrete surfaces brand
Aussie Pet Mobile, Inc ("APM")	Mobile pet grooming brand
Budget Blinds, LLC ("BB")	Blinds and window coverings brand
BB Commercial Solutions, LLC	Coordinate commercial market jobs for BB franchisees
Home Franchise Financings, LLC ("HFF")	Franchisee financing
HFC KTU LLC doing business as Kitchen Tune-Up and Bath Tune-Up ("KTU" & "BTU")	Kitchen and bath improvements brands
Lightspeed Restoration, LLC ("LR")	24x7 restoration and remediation services brand
Loss Control & Recovery, LLC	Service facilitation for large or commercial market jobs for ACS franchisees
National Restoration Solutions, LLC	Service facilitation for large or commercial market jobs for LR franchisees
Organized Spaces, LLC doing business as Premier Garage and The Tailored Closet ("PG" & "TTC")	Closets, garage flooring, and home organizing brands
Two Maids Franchising, LLC ("TM")	Residential home cleaning brand

Franchise Operations and Footprint - As of December 31, 2025, the Company has franchise operating territories as follows:

Brands	United States	Canada	Other	Total Territories
ACS	70	—	—	**70**
APM	167	—	1	**168**
BB	1,369	116	—	**1,485**
CC	3	—	—	**3**
KTU	250	11	—	**261**
BTU	53	5	—	**58**
LR	40	—	—	**40**
PG	135	10	—	**145**
TTC	137	12	—	**149**
TM	184	—	—	**184**
Total	**2,408**	**154**	**1**	**2,563**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All amounts within the Notes to the Consolidated Financial Statements are presented in dollars unless otherwise specified.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company. All intercompany balances and transactions are eliminated in consolidation. Accounting Standards Codification ("ASC") 220 requires a separate consolidated statement of comprehensive income. However, as Net income (loss) is the only material component of comprehensive income, the Company elected not to include a separate consolidated statement of comprehensive income because it would not be meaningful to the users of the Consolidated Financial Statements.

Fiscal Year

The Company has a calendar year ending annually on December 31.

Use of Estimates

The preparation of Consolidated Financial Statements is in conformity with GAAP and requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates. The estimates considered significant include the estimate of allowance for credit losses related to accounts, notes and rebates receivable, intangible asset lives and impairment assessments, and the allocation of the Parent's expenses to the Company.

Significant Accounting Policies

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under market conditions. Fair value measurements are categorized in three levels based on the types of significant inputs used, as follows:

Level 1	Unadjusted quote prices in active markets for identical assets or liabilities
Level 2	Observable inputs available at measurement date other than quoted prices included in Level 1
Level 3	Unobservable inputs that cannot be corroborated by observable market data

The Company's financial instruments consist of cash, accounts receivable, notes receivable, rebates receivable, and accounts payable. The fair values of cash, accounts receivable, rebates receivable and accounts payable approximate their carrying amounts because of the short maturity of these items. The Company's notes receivable approximates their fair value upon issuance as the interest on these instruments is tied to or approximates current market rates and are subsequently measured at amortized cost.

Cash

The Company considers cash on hand, deposits in banks and short-term highly liquid investments as cash. The Company maintains cash in bank accounts and has not experienced any depository losses and believes there is not significant credit risk exposure of the cash. As of December 31, 2025 the Company has the following uninsured deposits:

Depository Country	Insured By	Insured Deposit Maximum (Local Currency)	Insured Deposit Maximum (USD)	Uninsured Deposits (USD)
United States	Federal Deposit Insurance Corporation (FDIC)	US$250,000	$ 250,000	$ 13,239,245
Canada	Canadian Deposit Insurance Corporation	C$0	$ —	$ 4,232,442

The Consolidated Balance Sheets Cash balances also include advertising advances and deposits received from franchisees for the purpose of national advertising ("NAF") of $5,358,905 and $3,667,497 as of December 31, 2025 and 2024, respectively. The Company's policy is to designate these NAF funds in separate bank accounts as the terms of the respective franchise agreements require the Company to spend the cash on advertising costs to benefit the franchisees.

Accounts Receivable, Net, Notes Receivable, Net, and Rebates Receivable, Net

Accounts receivable, net of the allowance for credit losses, and Rebates receivable, net of allowance for credit losses represent the estimated net realizable value. The Company's primary accounts receivable are due from vendor rebates and franchisees. Provisions for credit losses are recorded based on management's judgment regarding historical losses, specific customer circumstances and general economic conditions. Accounts receivable are written off when they are deemed uncollectible.

During the years ended December 31, 2025, 2024, and 2023, respectively, four product suppliers generated $31,564,097, or 75%, $32,049,534, or 76%, and $31,625,015 or 75% of the Company's Gross sales rebates on the Consolidated Statements of Operations. As of December 31, 2025 and

2024, the Company has $4,058,085, or 70%, and $3,710,541, or 74%, respectively, of Rebates receivable related to these same suppliers on the Consolidated Balance Sheets.

Notes receivable, net of the allowance for credit losses, consist of loans made to certain franchisees typically for a purchase of initial or additional franchise territories. Provisions for credit losses are recorded based on the Company's judgment regarding historical losses, specific customer circumstances and general economic conditions. At the point the Company determines balances are uncollectible, the Company will discontinue recognition of interest income related to financing receivables. Interest income on these notes is accrued using the simple interest method. Additionally, HFF is a central financing entity of HFC for certain notes receivable with qualified franchisees, as of December 31, 2025, HFF had one note receivable outstanding. See Note 5 – Notes Receivable, Net for more information.

Inventory

Inventory consists of supplies and materials primarily related to initial start-up packages that are sold to new franchisees. The inventory is recorded at the lower of cost or net realizable value using the first-in, first-out method, and is recorded in Other current assets on the Consolidated Balance Sheets.

Leases

Lease assets and related lease liabilities are recognized for the rights and obligations created at lease commencement by operating and finance leases with lease terms of more than 12 months. The lease term commences on the date the lessor makes the underlying asset(s) available, irrespective of when lease payments begin under the contract. When determining lease term at commencement, the Company considers termination and renewal option periods available, and only includes these in the lease term if the Company is reasonably certain it will exercise the options.

The lease liability is generally based on the present value of the lease payments, consisting of fixed costs and certain rent escalations, using the risk-free rate applicable to the lease term. The lease asset is generally based on the lease liability, adjusted for amounts related to other lease-related assets and liabilities, that may include prepaid rent, landlord contributions as a reduction to the asset, and favorable or unfavorable lease purchase price adjustments.

The Company chose the private-company election to use the risk-free treasury rate at the lease commencement date for the duration of the remaining lease term to discount the present value of the future minimum lease payments.

Lease asset carrying amounts are assessed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. The Company monitors for events or changes in circumstances that require reassessment of lease classification. When a reassessment results in the re-measurement of a lease liability, a corresponding adjustment is made to the carrying amount of the lease asset.

Variable lease costs, consisting primarily of property taxes, insurance, and maintenance expenses, are expensed as incurred in Operating and administrative on the Consolidated Statements of Operations and are not included in lease liabilities on the Consolidated Balance Sheets.

The Company's lease commitments include real estate and storage leases, and all leases have been determined to be operating leases. Lease expenses are recognized on a straight-line basis

over the lease term in Operating and administrative on the Consolidated Statements of Operations, as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Operating lease expense	$ 1,884,346	$ 1,922,893	$ 2,430,156

Property and Equipment, Net

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over their estimated useful lives as follows:

Property and Equipment Type	Useful Life
Furniture and equipment	3 - 5 years
Computer software	3 - 5 years
Computer equipment	3 - 5 years
Vehicles	5 years
Leasehold improvements	Lesser of remaining lease term or life of asset

Depreciation expense related to property and equipment is included in Operating and administrative expenses on the Consolidated Statements of Operations. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

The Company also capitalizes certain costs incurred in connection with developing or obtaining internal-use software. Capitalized software costs are included in Property and equipment, net on the Consolidated Balance Sheets and are amortized over the expected useful life, typically three to five years. Software costs that do not meet the capitalization criteria are expensed. See Note 7 – Property and Equipment, Net for more information.

Impairment of Long-Lived Assets

The Company reviews the carrying amount of long-lived assets when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, the Company records an impairment charge for the excess of the carrying amount over the fair value. The Company determines fair value based on discounted projected future operating cash flows of the Company over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk.

Intangible Assets, Net

Indefinite-lived intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or between annual tests when an impairment indicator exists. The recoverability of indefinite-lived intangible assets is assessed by comparison of the carrying value of the asset to its estimated fair value. The Company generally utilizes both income (specifically, the relief-from-royalty method) and market approaches to estimate fair value. If the Company determines that the carrying value of the asset exceeds its estimated fair value, an impairment loss equal to the excess would be recorded.

Finite-lived intangible assets are amortized ratably over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the estimates of the useful lives should change, the Company will amortize the remaining book value over the remaining useful lives or, if an asset is deemed to be impaired, a write-down of the value of the asset would be recorded.

Finite-lived intangible assets are amortized over their useful lives as follows:

Intangible Asset Type	Useful Life
Franchise agreements	20 years
Technology	5 years
Vendor networks	15 years
Reacquired franchise rights	Remaining contractual term upon reacquisition

See Note 8 – Intangible Assets, Net for more information.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate for purposes of impairment testing. Goodwill is tested for impairment annually, as of the last day of the third quarter of each calendar year, or more frequently if events or changes in circumstances indicate that the goodwill asset may be impaired. The Company is considered both the operating segment and reporting unit for purposes of goodwill impairment analysis.

The Company may elect to perform a qualitative assessment to determine whether the reporting unit is more likely than not impaired. If the qualitative assessment is not performed or if the Company determines that it is not more likely than not that the fair value of the reporting unit exceeds the carrying value, a quantitative assessment will be performed to calculate the fair value of the reporting unit. The carrying value of the reporting unit is compared to its estimated fair value, and if the carrying value of the reporting unit exceeds its fair value, goodwill is written down to its implied fair value.

For the year ended December 31, 2025, the Company performed a qualitative assessment and determined that the recorded value for Goodwill on the Consolidated Balance Sheets was not impaired. During 2024, a certain brand met the criteria for held for sale treatment. The Company calculated the relative fair value of goodwill associated with the brand to be $3,482,257. The goodwill allocated to the brand was determined to be fully impaired and written off to Goodwill impairment on the Consolidated Statements of Operations. See Note 4 – Update on Brand Previously Classified as Held for Sale for more details.

For the year ended December 31, 2023, the Company wrote-off net assets, including allocated goodwill of $1,408,106, related to the termination and dissolution of ACS Company-owned operations.

Advertising Advances and Deposits Liability

The Company is responsible for national advertising as required by franchise agreements. When the collected advertising revenues have not been fully spent (revenue collected from franchisees exceeds cash payments for advertising costs), the Company accrues the difference required to be incurred in the future as Advertising advances and deposits on the Consolidated Balance Sheets. See the Advertising policy below for more details.

Due to Parent, Dividends and Capital Contributions

The Parent's capital policy establishes a target capital structure for the Company. Every month any funds in shortage or excess of the target amount are received from, or remitted to, the Parent as a capital contribution or distribution, respectively. The policy is reviewed and adjusted periodically. Additionally, the Parent may request a dividend after approval by the Parent's Board of Directors. Dividends to and capital contributions from the Parent are recorded in Due to Parent on the Consolidated Balance Sheets.

Due to Parent represents the net balance of funds transferred between the Parent as the Parent operates as a centralized treasury function. Both the Company and the Parent have the intent and ability to repay such amounts and as such, these are classified within Current assets or Current liabilities on the Consolidated Balance Sheets depending on the total net transfers made.

Revenue

Initial franchise fees – consist of fees paid by franchisees at the start of the franchise or area development agreement. Each of these fees are fixed, nonrefundable, and are due at the time the agreement is entered into. As allowed by ASC 606 and ASC 952 for private companies, pre-opening services provided to a franchisee are distinct from the franchise license and are recognized as a single performance obligation. This performance obligation is considered complete and revenue recognized typically when the franchisee has completed their initial training which is normally within six months of entering into the agreement. A deferred revenue liability is recorded for deposits of initial franchise fees that have not yet been recognized in Deferred revenue on the Consolidated Balance Sheets.

Royalty income – are the franchisee royalty fees that are included in the franchise agreements. Royalties include both variable royalties based on a percentage of sales generated by the franchisee, and fixed rate royalties.

The variable sales-based royalty is determined to be variable consideration because it is recognized as revenue as the related sales are earned by the franchisees. Therefore, variable sales-based royalty income is recognized in the same period the sales are generated. Sales-based fees qualify under the royalty constraint exception and do not require an estimate of future transaction price. The percentage of royalty applied on the sales varies based on franchise agreements, and may include royalty percentage de-escalation clauses whereby the royalty percentage applied on the sales generated are decreased if certain sales thresholds are obtained.

The fixed rate royalty is a flat fixed fee due monthly as determined based on the franchise agreement. Certain franchise agreements may contain clauses that allow for escalations of the fixed fees during a new franchisee ramp-up period, or periodically for inflation. The performance obligation for the fixed rate royalty is the Company providing continued access to the brand intellectual property and proprietary processes, vendor relationships, and area exclusivity over the franchise agreement term. As such, the total contract value of the fixed rate royalty revenue is calculated and recognized straight-line across the franchise agreement term. The amount of the fixed rate royalty invoiced to the franchisees compared to the straight-line revenue amount recognized is recorded in Straight-line royalty assets, current and long-term on the Consolidated Balance Sheets. Any increase related to inflationary changes are prospectively adjusted.

Continuing franchise fees – consist of service fees, renewal and transfer fees, and NAF fees paid by franchisees, as determined by the franchise agreements. The service fees relate to the performance obligations for the Company to provide monthly access to services that may include IT support, phone and call center support, and other related services. These fees are typically fixed per the franchise agreements and do not have predetermined escalation amounts. These fees are recognized monthly as the franchise utilizes the right to access the services.

Renewal and transfer fees are related to an existing franchisee renewing a franchise agreement for another term as specified by the franchise agreement, or transferring all or a portion of their agreed territories. These fees are determined by the franchise agreement and are recognized upon execution of the renewal or transfer agreement.

The franchisees are contractually obligated to contribute NAF fees for the purpose of providing national advertising for the benefit of the franchisees. The NAF fees are determined based on the franchise agreements and may be either a fixed rate or variable based on percentage of franchisee generated sales. Fixed rate NAF fees are recognized as revenue in the month due. Variable sales-based NAF fees are recognized as revenue in the period the franchisee generates sales. The

franchise agreements allow the Company to retain a certain percentage of NAF fees for consideration of the administration of the brand advertising fund. The Company recorded NAF revenue in Continuing franchise fees on the Consolidated Statements of Operations as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
NAF revenue	$ 23,435,233	$ 23,638,683	$ 23,289,698

Gross sales rebates – consists of rebates received based upon franchisee purchases with certain vendors that the Company has negotiated. The Company's performance obligation for vendor rebates is satisfied upon the sale of a vendor's product to the Company's franchisees. The vendor rebate revenue is recorded in the period the franchisee's purchase was made based upon vendor sales information.

Product and service sales – consists of product inventory and service sales to franchisees. The product sales relate primarily to the Company coordinating the franchisees purchase of certain products from specific vendors. The franchisee places the order to the Company which is then subsequently fulfilled by the vendor. As the inventory is shipped directly from the vendor to the franchisees, the Company does not bear the inventory risk of loss and is not responsible for fulfilling the orders. The Company's performance obligation for product sales is satisfied upon a product order being submitted to the vendor to fulfill. The Company acts as an agent in these transactions and therefore records revenue net of related costs.

The Company also facilitates marketing services from certain vendors primarily for local area marketing advertising. For these marketing services, the Company is determined to be the principal and revenues are presented gross of the related marketing costs which are presented in Cost of product and service sales on the Consolidated Statements of Operations. In addition, the Company does have certain product sales where inventory is purchased by the Company and then resold to franchisees. For these transactions, the Company is determined to be the principal and revenues are presented gross and related costs are presented within Cost of product and service sales expense on the Consolidated Statements of Operations.

Other sales – consists primarily of franchisee interest income, franchisee late fee income and franchise training-related revenues. In the normal course of business the Company offers franchisees promissory notes primarily related to financing initial franchise fees. Interest income for these promissory notes are recorded on the Consolidated Statements of Operations as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Other sales - interest income	$ 748,157	$ 762,504	$ 666,312

Advertising

The Company expenses advertising production costs when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising expenses are included in Selling and advertising expenses on the Consolidated Statements of Operations as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Advertising expenses	$ 1,801,424	$ 2,513,865	$ 2,954,099

Foreign Currency

The Company's functional currency is the United States dollar. For certain franchises located in Canada, transactions are denominated in the Canadian dollar. Assets and liabilities denominated in

foreign currencies are adjusted to functional currency based on the period-end exchange rates. Revenue and expenses have been adjusted using the weighted average exchange rates for the respective year and the impact arising from the translation is recorded in Foreign exchange (gain) loss on the Consolidated Statements of Operations.

Income Taxes

The Parent includes the Company within its consolidated federal income tax return and certain state consolidated and combined income tax returns. In addition, the Company files various state income tax returns on a separate company basis. The Company's provision for income taxes is computed on a separate company basis for financial reporting purposes and includes an allocation of a benefit by the Parent for tax losses generated by the Company, if any, that are utilized by the consolidated group.

Deferred income taxes have been provided using the asset and liability method to reflect the effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. A valuation allowance is recognized if it is more likely than not that the deferred tax assets will not be realized. See Note 10 – Income Taxes for more information.

3. BRAND UPDATE

During 2025, the Company, in partnership with certain franchisees of a small brand, began closing locations due to strategic considerations. These closures did not have a material impact on the Company's financial position, results of operations, or cash flows.

The Company evaluated these actions for impairment indicators and recorded immaterial impairments related to certain finite-lived intangible assets, see Note 8 – Intangible Assets, Net for more details.

4. UPDATE ON BRAND PREVIOUSLY CLASSIFIED AS HELD FOR SALE

In 2025, management decided not to proceed with the previously planned 2024 sale of a certain brand and to continue operating it internally. As such, the Company concluded that the original held-for-sale criteria was no longer met. Accordingly, the brand was reclassified from "held for sale" to "held for use" at the December 31, 2024 carrying amounts in the December 31, 2025 Consolidated Balance Sheet. No reversal of previously impaired goodwill or trademark was recorded.

As of December 31, 2024, the Company had classified the certain brand as held for sale, reflecting an offer to purchase the brand being considered. In connection with this classification, the Company recognized a valuation allowance charge totaling $16,808,844, including $13,326,587 related to trademark intangible, and $3,482,257 of goodwill allocated on a relative fair value basis.

The following table summarizes the fair value less costs to sell of the assets and liabilities classified as held for sale included in the December 31, 2024 Consolidated Balance Sheet:

	12/31/2024
Assets	
Current assets	
Accounts receivable, net of allowance for credit losses	$ 91,240
Notes receivable current, net of allowance for credit losses	195,291
Rebates receivable, net of allowance for credit losses	241,403
Prepaid expenses	20,948
Straight-line royalty assets, current	369,605
Total Current assets	918,487
Notes receivable long-term, net of allowance for credit losses	306,355
Property and equipment, net	1,012,422
Straight-line royalty assets, long-term	1,135,961
Intangible assets, net	5,435,080
Other assets	20,696
Total Assets held for sale	**$ 8,829,001**
Liabilities	
Current liabilities	
Accounts payable	$ 80
Accrued liabilities	97,501
Advertising advances and deposits	237,473
Deferred revenue	20,500
Total Liabilities held for sale	**$ 355,554**
Net Assets held for sale	**$ 8,473,447**

5. NOTES RECEIVABLE, NET

Notes receivables are due from certain franchisees primarily related to financing initial franchise fees and are collateralized by the franchise territory. The notes typically bear interest at rates ranging from 5.0% to 10.5% with original maturities ranging from three months to ten years.

During 2024, HFF entered into an $830,000 promissory note with a franchisee for the purpose of repurchasing certain territories. The promissory note has an annual interest rate of 10.5%, and maturity of August 1, 2034.

A summary of notes receivable expected maturities, less allowance for credit losses is as follows:

Years Ending December 31,	
2026	$ 2,758,826
2027	2,129,116
2028	1,505,861
2029	850,955
2030	411,310
Thereafter	578,359
Total notes receivable	8,234,427
Less: Total allowance for credit losses	(1,283,076)
Total notes receivable, net of allowance for credit losses	6,951,351
Less: Notes receivable current, net of allowance for credit losses	(2,126,040)
Notes receivable long-term, net of allowance for credit losses	**$ 4,825,311**

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses are presented in Prepaid expenses and Other current assets for current, and Other assets for long-term on the Consolidated Balance Sheets. The combined prepaid expenses and other current and long-term assets consist of the following for the years ended:

	12/31/2025	12/31/2024
Software as a service costs	$ 6,194,090	$ 5,853,361
Prepaid events	1,990,241	2,037,982
Prepaid associate expense	1,672,655	—
Prepaid APM van conversions	946,750	1,588,546
Prepaid commissions and broker fees	818,850	340,179
Prepaid insurance	228,066	228,925
Other	608,536	733,328
Prepaid expenses and Other assets	**$ 12,459,188**	**$ 10,782,321**

Software as a service costs represent costs paid to third-parties for cloud computing arrangements and subscriptions that amortize to expense over the life of the respective agreements.

Prepaid events represent costs paid in advance of future brand conventions that will be recognized to expense when the event occurs.

Prepaid associate expense represents the timing of the payroll funding cycle, in late 2025 the Company processed a payroll sweep to fund a payroll disbursement scheduled for January 2, 2026.

Prepaid APM van conversions represent costs paid to create and convert pet grooming vans that will be recognized to expense when the vans sold are delivered to franchisees.

Prepaid commissions and broker fees represent costs paid related to franchises sold that will be recognized to expense when franchise operations begin.

Prepaid insurance represents costs paid for business insurance, including casualty and general liability, to be amortized to expense over the remaining term of the respective policies.

Other represents costs paid for various other prepaid expenses including property taxes, property maintenance and insurance, dues and subscriptions for business operations, marketing supplies, training, and security deposits.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following for the years ended:

	12/31/2025	12/31/2024
Computer software	$ 19,161,494	$ 15,113,604
Leasehold improvements	7,984,862	7,859,546
Furniture and equipment	2,405,945	2,411,714
Computer equipment	577,393	465,743
Vehicles	234,706	356,236
Property and equipment	30,364,400	26,206,843
Less: Accumulated depreciation	(16,748,195)	(12,473,226)
Property and equipment, net of accumulated depreciation	13,616,205	13,733,617
Development in progress	321,144	857,948
Property and equipment, net	**$ 13,937,349**	**$ 14,591,565**

Depreciation expense is included in Operating and administrative expenses on the Consolidated Statements of Operations as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Depreciation expense	$ 6,220,657	$ 4,893,025	$ 5,686,734

2025 Updates - During the year ended December 31, 2025, the Company capitalized development of brand websites and operational platform enhancements, adding new assets of $4,850,249 for Computer software.

The Company also reclassified a net asset balance of $1,012,422 from "held for sale" to "held and used," refer to Note 4 – Update on Brand Previously Classified as Held for Sale for further details.

2024 Updates - During the year ended December 31, 2024, the Company remodeled the Irvine, California corporate leased office, adding new assets of $2,411,406 for Leasehold improvements, $540,415 for Furniture and equipment, and $21,832 for Computer equipment.

2023 Updates - During the year ended December 31, 2023, the Company recorded a loss of $1,232,619 included in Loss (gain) on disposal of assets on the Consolidated Statements of Operations that primarily consists of the net book value of obsolete computer software, as well as leasehold improvements for an operating lease the Company early terminated in 2023.

8. INTANGIBLE ASSETS, NET

Intangible assets, net, consists of the following during the years ended:

	12/31/2025	12/31/2024
Finite Lived		
Franchise agreements	$ 75,100,000	$ 75,170,000
Vendor networks	20,700,000	20,700,000
Technology	4,740,000	4,960,000
Repurchased territory rights	242,955	203,849
Total finite lived	100,782,955	101,033,849
Less: Accumulated Amortization	(34,463,942)	(29,539,597)
Net finite lived	66,319,013	71,494,252
Indefinite Lived		
Trademarks	287,784,735	282,349,655
Total indefinite lived	287,784,735	282,349,655
Intangible assets, net	**$ 354,103,748**	**$ 353,843,907**

Impairment of Intangible Assets

2025 Updates - During 2025, the Company reclassified $5,435,080 of Trademarks intangible from "held for sale" to "held and used," refer to Note 4 – Update on Brand Previously Classified as Held for Sale for further details. Also, the Company wrote-off $70,000 of Franchise agreements and $220,000 of Technology for the small brand that had location closures, and recorded related impairment expense of $47,250 in Intangible impairment on the Consolidated Statements of Operations. See Note 3 – Brand Update for more information.

2024 Updates - During 2024, the Company determined due to unfavorable market trends and macroeconomic conditions that adversely affected future projections that there were indicators of possible impairment on the trademarks of three brands. The Company performed a quantitative analysis comparing the estimated fair value versus the carrying value and it was determined the carrying value for these brands trademarks were below the estimated fair value that resulted in an impairment of $25,326,587 recorded in Intangible impairment on the Consolidated Statements of Operations, of which $13,326,587 related to the previously held for sale assets, and $2,000,000 related to the small brand that had location closures during 2025. See Note 4 – Update on Brand Previously Classified as Held for Sale and Note 3 – Brand Update, respectively, for more information.

2023 Updates - There was no impairment recorded during the year ended December 31, 2023.

Amortization of Finite-Lived Intangibles

Intangible assets with finite lives are amortized over the estimated periods benefited on a straight-line basis. The remaining weighted-average useful life was 13.5 years as of December 31, 2025. Amortization expense on intangible assets with finite lives is included in Operating and administrative expenses on the Consolidated Statements of Operations as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Amortization expense	$ 5,170,464	$ 5,674,768	$ 6,130,037

Future Amortization Schedule

Future amortization expense related to the finite lived intangible assets is as follows:

Years Ending December 31,	
2026	$ 5,169,977
2027	5,169,977
2028	5,168,760
2029	5,155,382
2030	5,155,382
Thereafter	40,499,535
	$ 66,319,013

9. ACCRUED LIABILITIES

Accrued liabilities consist of the following for the years ended:

	12/31/2025	12/31/2024
Accrued compensation	$ 11,334,884	$ 10,369,133
Accrued accounts payable	2,446,786	2,034,580
Other	190,025	174,223
Accrued liabilities	**$ 13,971,695**	**$ 12,577,936**

10. INCOME TAXES

The components of the Provision (benefit) for income taxes on the Consolidated Statements of Operations is as follows during the years ended:

	12/31/2025	12/31/2024	12/31/2023
Current			
Federal	$ (613,232)	$ 399,005	$ (979,198)
State	58,255	(43,613)	(324,528)
Current provision for (benefit from) income taxes	(554,977)	355,392	(1,303,726)
Deferred			
Federal	5,193,724	(1,439,015)	3,774,942
State	1,089,704	(2,043,064)	396,189
Deferred provision for (benefit from) income taxes	6,283,428	(3,482,079)	4,171,131
Provision (benefit) for income taxes	**$ 5,728,451**	**$ (3,126,687)**	**$ 2,867,405**

Deferred income taxes reflect the net tax effect of temporary differences between financial statement carrying amounts and tax bases of assets and liabilities (primarily related to acquired intangibles). The Deferred income tax liability balance attributable to the Company as of December 31, 2025, and 2024, was $83,136,931 and $76,853,503, respectively. Any federal or state income tax payables or receivables are included in Due to Parent on the Consolidated Balance Sheets.

The Company's effective tax rate was as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Effective tax rate	24.6 %	43.5 %	21.6 %

For the years presented, the differences between the effective tax rate and the United States federal income tax statutory rate are (i) current state and local taxes and (ii) provision to filed return adjustment and other adjustments as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Current state and local tax rates	4.0 %	3.7 %	(0.4)%
Provision to return adjustments	0.2 %	19.8 %	(0.2)%

On July 4, 2025, federal legislation commonly referred to as the One Big Beautiful Bill Act ("OBBBA") was enacted in the United States. The OBBBA includes provisions that make 100% bonus depreciation permanent, allows for the expensing of domestic research costs and modifies the business interest expense limitation calculation. The Company has recognized the effects of the OBBBA provisions in its financial results to the extent applicable to the year ended December 31, 2025, but it did not have a material impact on the Company's effective tax rate. The Company will continue to evaluate the impact of these provisions on 2026 and subsequent financial statements as certain provisions have future effective dates.

The Company is periodically under federal or state audit for the consolidated and combined income tax returns. No material adjustments have been identified in connection with any ongoing audit. The Company is no longer subject to federal or, with a few exceptions, state income tax audits for years before 2022.

The Company had no unrecognized tax benefits or related interest or penalties accrued as of December 31, 2025 and 2024.

11. DEBT

Promissory Note

On July 10, 2019, the Company entered into a $114,600,000 promissory note with the Parent. The Promissory Note was part of the recapitalization of HFC and its subsidiaries by the Parent with an annual interest rate of 3.66%. The maturity date is August 1, 2029. No principal and related accrued interest payments are required until the stated maturity date.

Interest Expense

Interest related to the Promissory Note and Due to Parent accrues monthly, and is added to the Due to Parent balance and is included in Interest expense on the Consolidated Statements of Operations as follows:

	12/31/2025	12/31/2024	12/31/2023
Interest expense on Promissory Note	$ 4,194,360	$ 4,194,360	$ 4,194,360
Interest expense on Due to Parent balance	198,275	341,609	1,493,178
Interest expense	**$ 4,392,635**	**$ 4,535,969**	**$ 5,687,538**

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company has corporate office lease agreements for Irvine, CA and Flower Mound, TX office locations, and Coppell, TX experience center training location. Additionally, the consolidated brands have certain office and storage leases, of which two of these leases have been subleased as of December 31, 2025.

During 2024, the Company amended its Irvine, CA office lease to consolidate onto one floor and extend the lease term through June 30, 2030. The changes also included a tenant improvement allowance for remodeling the consolidated space, see Note 7 – Property and Equipment, Net for information around the remodel assets added during 2024.

During 2023, the Company terminated an operating lease in Charlotte, NC, resulting in a reduction of operating lease right-of-use asset of $206,936, a reduction of operating lease liabilities of $221,050, and the net gain of $14,114 included in Loss (gain) on disposal of assets on the Consolidated Statements of Operations. Additionally, the Company impaired $86,876 for the remaining balance of operating lease right-of-use asset related to an APM office lease that the Company no longer operates within, but the lease has not been terminated with the related expense is included in Loss (gain) on disposal of assets on the Consolidated Statements of Operations.

Supplemental information related to the Company's operating leases were as follows during the years ended:

	12/31/2025	12/31/2024
Weighted average remaining lease term (in years)	5.5	6.4
Weighted average discount rate	2.7%	2.6%

As of December 31, 2025, future maturities of operating lease liabilities and sublease income was as follows:

Years Ending December 31,	Operating Leases	Sublease Income
2026	$ 2,170,258	$ 72,643
2027	2,326,475	-
2028	2,295,763	-
2029	2,201,104	-
2030	1,804,494	-
Thereafter	1,758,457	-
Total lease payments	12,556,551	**$ 72,643**
Less: amount representing interest	(914,242)	
Present value of lease liabilities	**$ 11,642,309**	

Legal Proceedings

As of December 31, 2025, the Company has no lawsuits, actions, or other legal proceedings pending claims that the Company believes would have a material impact on the Consolidated Financial Statements. However, the Company could, from time to time, be involved in litigation proceedings arising out of its normal course of business.

13. RETIREMENT PLAN

The Company sponsors a defined contribution 401(k) plan that covers eligible employees. Eligible employees are able to contribute, subject to IRS limitations on total annual contributions, up to 100% of eligible base compensation and bonuses, as defined in the plan, to various investment funds. The Company matches, in cash, what an employee contributes at a rate of 100% of the first 3%, and 50% of the next 2%, with immediate vesting. The Company records employer match contributions in Operating and administrative expenses on the Consolidated Statements of Operations as follows during the years ended:

	12/31/2025	12/31/2024	12/31/2023
Employer contribution match expenses	$ 1,173,319	$ 1,109,177	$ 1,192,857

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Revenues disaggregated by the timing of when goods and services are transferred consist of the following during the years ended:

	12/31/2025	12/31/2024	12/31/2023
Revenue recognized over time	$ 81,770,230	$ 80,195,241	$ 78,874,297
Revenue recognized at a point in time	63,698,182	63,083,744	63,781,551
Total Revenue	**$ 145,468,412**	**$ 143,278,985**	**$ 142,655,848**

Revenues disaggregated by geographic region consist of the following during the years ended:

	12/31/2025	12/31/2024	12/31/2023
United States customers	$ 141,252,043	$ 138,909,814	$ 137,891,487
Canada customers	4,216,369	4,369,171	4,764,361
Total Revenue	**$ 145,468,412**	**$ 143,278,985**	**$ 142,655,848**

Straight-Line Royalty Assets

The Company has certain franchise agreements that contain fixed rate royalty amounts that escalate over a specified period of time. As such, the Company has recorded a deferred contract asset or liability (depending on timing within the ramp schedules) that represents the difference in timing of invoicing of the royalty compared to the total contract value recognized straight-line across the contract term. The total royalty asset amount recorded is as follows for the years ended:

	12/31/2025	12/31/2024
Straight-line royalty assets, current	$ 815,841	$ —
Straight-line royalty liabilities, current	—	(152,319)
Straight-line royalty assets, long-term	19,690,613	21,668,050
Straight-line royalty assets, net	**$ 20,506,454**	**$ 21,515,731**

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Company through February 16, 2026, the date these Consolidated Financial Statements were available to be issued. No subsequent events have occurred that would require recognition on the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

Docusign Envelope ID: CF068D0C-75AB-4B21-BCC1-8330A529CBF0

GUARANTEE OF PERFORMANCE
FTC

For value received, Home Franchise Concepts, LLC, a Delaware limited liability company located at 19000 MacArthur Blvd., Suite 100, Irvine, California 92612 (the "**Guarantor**"), absolutely and unconditionally guarantees to assume the duties and obligations of Organized Spaces, LLC, a California limited liability company located at 19000 MacArthur Blvd., Suite 100, Irvine, California 92612 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee in Flower Mound, Texas on the 20th day of March, 2026.

Guarantor:

Home Franchise Concepts, LLC

By: DocuSigned by: Amir Yeganehjoo 87A9427D06CB45F...

Name: Amir Yeganehjoo

Title: Chief Financial Officer

Docusign Envelope ID: CF068D0C-75AB-4B21-BCC1-8330A529CBF0

GUARANTEE OF PERFORMANCE
Virginia

For value received, absolutely and unconditionally guarantees the performance by Home Franchise Concepts, LLC, a Delaware limited liability company located at 19000 MacArthur Blvd., Suite 100, Irvine, California 92612 (the "**Guarantor**") of all the obligations of Organized Spaces, LLC, a California limited liability company located at 19000 MacArthur Blvd., Suite 100, Irvine, California 92612 under its franchise registration in the State of Virginia and of its franchise agreements. This guarantee continues until all such obligations of Organized Spaces, LLC under its franchise registration and franchise agreements are satisfied. Home Franchise Concepts, LLC is not discharged from liability if a claim by the franchisee against Organized Spaces, LLC remains outstanding. Notice of acceptance is waived. Notice of default on the part of Organized Spaces, LLC is not waived. This guarantee is binding on Home Franchise Concepts, LLC and on its successors and assigns.

The Guarantor executes this guarantee in Flower Mound, Texas on the 20th day of March, 2026.

Guarantor:

Home Franchise Concepts, LLC

DocuSigned by:
By: Amir Yeganehjoo
87A9427D06CB45F...

Name: Amir Yeganehjoo

Title: Chief Financial Officer

Docusign Envelope ID: CF068D0C-75AB-4B21-BCC1-8330A529CBF0

GUARANTEE OF PERFORMANCE
Illinois

For value received, Home Franchise Concepts, LLC ("**Guarantor**"), a limited liability company organized under the laws of the State of Delaware and located at 19000 MacArthur Blvd., Suite 100, Irvine, California 92612, absolutely and unconditionally guarantees to assume the duties and obligations of Organized Spaces, LLC, a California limited liability company located at 19000 MacArthur Blvd., Suite 100, Irvine, California 92612 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and on its successors and assigns.

The Guarantor executes this guarantee in Flower Mound, Texas on the 20th day of March, 2026.

Guarantor:

Home Franchise Concepts, LLC

By: DocuSigned by: Amir Yeganehjoo 87A9427D06CB45F...

Name: Amir Yeganehjoo

Title: Chief Financial Officer

EXHIBIT C

LIST OF FRANCHISEES

Current Franchises

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Alabama							
1	The Tailored Closet 630AL202	4/1/2023	D.G.E. Enterprises, LLC	2089 Alton Road, Suite B	Birmingham	Alabama	35210	(205) 593-4646
	Arizona							
1	The Tailored Closet 753AZ034	4/1/2023	Kevin Kinney	9120 N 106th Place	Scottsdale	Arizona	85258	(480) 398-8113
	Arkansas							
1	The Tailored Closet 670AR201	5/1/2023	James M. Bollero and Wendi R. Bollero	17713 Harmon Rd.	Fayetteville	Arkansas	72704	(479) 320-2446
	California							
	The Tailored Closet 855CA202	11/1/2022	Merondy, Inc.	PO Box 1267	Atascadero	California	93423	(805) 462-8133
	The Tailored Closet of Sherman Oaks	5/1/2023	Image Factor, Inc.	30550 N. Beryl Place	Castaic	California	91355	(661) 295-1054
	The Tailored Closet of San Marcos	4/1/2023	Dana Nuesca and Eugene Nuesca	1524 Jeffrey Avenue	Escondido	California	92027	(858) 877-9005
	The Tailored Closet of North San Diego	4/1/2023	Dana Nuesca and Eugene Nuesca	1524 Jeffrey Avenue	Escondido	California	92027	(858) 877-9005
	The Tailored Closet 807CA208	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA212	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA204	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA203	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA201	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA211	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA207	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA209	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA205	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA202	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA206	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet 807CA210	4/1/2023	Venisco Corporation	1148 Chess Drive	Foster City	California	94404	(650) 437-2540
	The Tailored Closet of Arcadia	9/1/2023	JTW of California, Inc.	1120 Hicrest Road	Glendora	California	91741	(626) 268-0168
	The Tailored Closet 803CA204	4/1/2023	PGOC, Inc.	20914 Bake Parkway, #112	Lake Forest	California	92630	(949) 779-2330
	The Tailored Closet 803CA201	4/1/2023	PGOC, Inc.	20914 Bake Parkway, #112	Lake Forest	California	92630	(949) 779-2330
	The Tailored Closet 803CA202	4/1/2023	PGOC, Inc.	20914 Bake Parkway, #112	Lake Forest	California	92630	(949) 779-2330
	The Tailored Closet 803CA203	4/1/2023	PGOC, Inc.	20914 Bake Parkway, #112	Lake Forest	California	92630	(949) 779-2330
	The Tailored Closet of Thousand Oaks	5/1/2023	PremierGarage of Ventura County, Inc.	3000 Paseo Mercado, Unit 108	Oxnard	California	93036	(805) 988-0072
	The Tailored Closet of Riverside	11/1/2022	TLIE Corporation	6260 River Crest Dr. #A	Riverside	California	92507	(951) 653-7510
	The Tailored Closet of Diamond Bar	11/1/2022	TLIE Corporation	6260 River Crest Drive #A	Riverside	California	92507	(951) 653-7512
	The Tailored Closet 804CA201	5/1/2023	Sheryl Greenlee	33180 Madera De Playa Dr	Temecula	California	92592	(951) 297-9858
	The Tailored Closet 825CA201	5/1/2023	Sheryl Greenlee	33180 Madera De Playa Dr	Temecula	California	92592	(951) 297-9858
27	The Tailored Closet 803CA237	5/1/2023	Sheryl Greenlee	33180 Madera De Playa Dr	Temecula	California	92592	(951) 297-9858
	Colorado							
	The Tailored Closet 751CO213	5/1/2023	Colorado Home and Garage Solutions LLC	1704 Alpine Dr	Erie	Colorado	80516	(303) 986-3397
2	The Tailored Closet of Boulder and Erie	5/1/2023	Colorado Home and Garage Solutions LLC	1704 Alpine Drive	Frederick	Colorado	80516	(303) 986-3397
	Connecticut							
	The Tailored Closet 501CT201	5/1/2023	Premier Garage of Northern New Jersey, LLC	84A Johnson Avenue	Hackensack	Connecticut	07601	(914) 359-4922
	The Tailored Closet 533CT205	4/1/2023	Amadeus Enterprises LLC	229 Black Ash Road	Oakdale	Connecticut	06370	(860) 451-4091
3	The Tailored Closet of Danbury	5/1/2023	Correa JSC LLC	1432 Old Waterbury Rd Unit 11	Southbury,	Connecticut	06488	(203) 456-5995
	Florida							
	The Tailored Closet 571FL201	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(239) 291-4670

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	The Tailored Closet 548FL203	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(561) 440-5664
	The Tailored Closet 528FL211	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(786) 396-6581
	The Tailored Closet 528FL201	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(954) 852-1807
	The Tailored Closet 548FL201	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(561) 440-5664
	The Tailored Closet 528FL206	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(954) 852-1807
	The Tailored Closet 528FL209	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(786) 396-6581
	The Tailored Closet 548FL205	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(561) 440-5664
	The Tailored Closet 528FL203	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(954) 852-1807
	The Tailored Closet 548FL204	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(561) 440-5664
	The Tailored Closet 528FL205	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(954) 852-1807
	The Tailored Closet 528FL204	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(954) 852-1807
	The Tailored Closet 548FL202	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(561) 440-5664
	The Tailored Closet 528FL207	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(786) 396-6581
	The Tailored Closet 528FL208	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(786) 396-6581
	The Tailored Closet 528FL212	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(786) 396-6581
	The Tailored Closet 528FL202	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(954) 852-1807
	The Tailored Closet 528FL210	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(786) 396-6581
	The Tailored Closet 548FL206	4/1/2023	Premier Coatings, LLC	450 NW 27th Ave	Fort Lauderdale	Florida	33311	(561) 440-5664
	The Tailored Closet 561FL201	3/1/2023	TLB Enterprises, LLC	11651 Central Parkway, Suite 112	Jacksonville	Florida	32224	(904) 645-0885
	The Tailored Closet 561FL203	3/1/2023	TLB Enterprises, LLC	11651 Central Parkway, Suite 112	Jacksonville	Florida	32224	(904) 645-0885
	The Tailored Closet 561FL202	3/1/2023	TLB Enterprises, LLC	11651 Central Parkway, Suite 112	Jacksonville	Florida	32224	(904) 645-0885
	The Tailored Closet 686FL202	4/1/2023	Stephen Adams and Teresa Adams	840 Coldwater Creek Circle	Niceville	Florida	32578	(850) 396-4830
	The Tailored Closet 539FL203	5/1/2023	NB Industries, LLC	4384 Rutledge Drive	Palm Harbor	Florida	34685	(813) 444-9722
	The Tailored Closet 539FL207	5/1/2023	NB Industries, LLC	4384 Rutledge Drive	Palm Harbor	Florida	34685	(813) 444-9722
	The Tailored Closet 571FL203	5/1/2023	RJ Stevens LLC	6035 Taylor Rd Unit 104	Punta Gorda	Florida	33950	(941) 999-2333
	The Tailored Closet 539FL211	5/1/2023	Stephen Jacoby, Arthur Jacoby and Rena Jacoby	579 Interstate Blvd	Sarasota	Florida	34240	(941) 328-8989
	The Tailored Closet 539FL212	5/1/2023	Stephen Jacoby, Arthur Jacoby and Rena Jacoby	579 Interstate Blvd	Sarasota	Florida	34240	(941) 328-8989
	The Tailored Closet of Tampa	8/1/2023	NB Industries, LLC	5015 West Rio Vista Avenue	Tampa	Florida	33634	(813) 444-9722
30	The Tailored Closet of Central Orlando	1/1/2023	SJC Construction Enterprises LLC	13419 Carroway Street	Windermere	Florida	34786	(407) 743-5444
	Georgia							
	The Tailored Closet 524GA206	5/1/2023	Tailored Home, Inc.	4510 Sandalwood Way	Cumming	Georgia	30041	(404) 450-2020
	The Tailored Closet 524GA211	5/1/2023	Tailored Home, Inc.	4510 Sandalwood Way	Cumming	Georgia	30041	(404) 450-2020
	The Tailored Closet 524GA209	5/1/2023	Tailored Home, Inc.	4510 Sandalwood Way	Cumming	Georgia	30041	(404) 450-2020
4	The Tailored Closet 524GA215	5/1/2023	Tailored Home, Inc.	4510 Sandalwood Way	Cumming	Georgia	30041	(404) 450-2020
	Idaho							
	The Tailored Closet 758ID201	11/1/2022	MMEL Corporation	2091 16th St. Drive	Heyburn	Idaho	83336	(208) 260-5522
2	The Tailored Closet of Boise	11/1/2022	Cindy Warmerdam and Cory Warmerdam	3677 N. Pampas Avenue	Meridian	Idaho	83646	(208) 600-0668
	Indiana							
1	The Tailored Closet of Indianapolis North	6/1/2023	Robser Inc	4325 W 156 Street	Zionsville	Indiana	46077	(317) 843-9410
	Iowa							
	The Tailored Closet 679IA202	5/1/2023	Remnant Enterprises, LLC	3560 SW Brookside Drive Suite F	Grimes	Iowa	50111	(515) 218-7875
2	The Tailored Closet 679IA204	5/1/2023	Remnant Enterprises, LLC	3560 SW Brookside Drive Suite F	Grimes	Iowa	50111	(515) 218-7875
	Kansas							
	The Tailored Closet 678KS203	4/1/2023	KDH Enterprises, Inc.	304 Valleyview Court	Andover	Kansas	67002	(316) 669-0800
2	The Tailored Closet of Overland Park	1/1/2025	CNR Operations, Inc.	15342 S. Keeler St	Olathe	Kansas	66062	(913) 914-6908
	Kentucky							
1	The Tailored Closet of Boone County	11/1/2022	Morten Partners, LLC	7453 Empire Dr, Ste 140	Florence	Kentucky	41042	(859) 384-7100

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Maine							
	The Tailored Closet of Portland	11/1/2022	Row-22, LLC	123 Mabel Street	Portland	Maine	04103	(207) 613-1183
2	The Tailored Closet of Midcoast Maine	11/1/2022	JAMM, LLC	1 Gordon Drive	Rockland	Maine	04858	(207) 236-3319
	Maryland							
	The Tailored Closet 511MD205	11/1/2022	J T Carter Enterprises, LLC	14110 Sullyfield Circle, Suite G	Chantilly	Maryland	20151	(703) 707-0009
	The Tailored Closet of Silver Spring	9/1/2023	Epic House Enterprises Incorporated	2303 59th Place	Cheverly	Maryland	20785	(410) 988-2302
3	The Tailored Closet 512MD202	11/1/2022	TLC Enterprises LLC	12545 Greenspring Ave.	Owings Mills	Maryland	21117	(443) 334-6089
	Massachusetts							
1	The Tailored Closet 506MA202	5/1/2023	E2 Home Improvements LLC	62 Carriage Drive	Lincoln	Massachusetts	02865	(781) 496-3929
	Michigan							
	The Tailored Closet 540MI202	5/1/2023	Robert Zimmerman and Sheryl Zimmerman	1775 South M-375	Traverse City	Michigan	49685	(231) 668-9073
	The Tailored Closet 505MI213	5/1/2023	James S. Gessler and Holly Marie Gessler	47874 West Rd	Wixom	Michigan	48393	(248) 840-5243
	The Tailored Closet 505MI214	5/1/2023	James S. Gessler and Holly Marie Gessler	47874 West Rd	Wixom	Michigan	48393	(248) 840-5243
	The Tailored Closet 505MI203	5/1/2023	James S. Gessler and Holly Marie Gessler	47874 West Rd	Wixom	Michigan	48393	(248) 840-5243
5	The Tailored Closet 563MI202	5/1/2023	James S. Gessler and Holly Marie Gessler	47874 West Rd	Wixom	Michigan	48393	(248) 840-5246
	Missouri							
1	The Tailored Closet of Lee's Summit	7/1/2025	CNR Operations, Inc.	15342 S. Keeler St	Olathe	Missouri	66062	(913) 914-6908
	New Jersey							
	The Tailored Closet 501NJ201	5/1/2023	Premier Garage of Northern New Jersey, LLC	84A Johnson Avenue	Hackensack	New Jersey	07601	(201) 877-1187
	The Tailored Closet 501NJ203	5/1/2023	Premier Garage of Northern New Jersey, LLC	84A Johnson Avenue	Hackensack	New Jersey	07601	(201) 877-1187
	The Tailored Closet 501NJ208	5/1/2023	Premier Garage of Northern New Jersey, LLC	84A Johnson Avenue	Hackensack	New Jersey	07601	(201) 877-1187
	The Tailored Closet of Somerset	4/1/2023	Columbia Professional Services, Inc.	36 Pembroke Terrace	Hillsborough	New Jersey	08844	(908) 533-9600
	The Tailored Closet of Jersey Shore North	11/1/2022	SKZ Enterprises, Inc.	1589 Reed Road Unit #8	Pennington	New Jersey	08534	(732) 231-6023
	The Tailored Closet 501NJ210	11/1/2022	SKZ Enterprises, Inc.	1589 Reed Road Unit #8	Pennington	New Jersey	08534	(732) 231-6023
7	The Tailored Closet of Runnemede	1/1/2024	Irfan Ullah	152 Washington Avenue	Runnemede	New Jersey	08078	(856) 495-1112
	New York							
	The Tailored Closet 501NY203	5/1/2023	Premier Garage of Northern New Jersey, LLC	84A Johnson Avenue	Hackensack	New York	07601	(914) 359-4922
	The Tailored Closet of NW Suffolk County	4/1/2023	Patrick Tracy and Marian Tracy	10 Platt Ave	Smithtown	New York	11787	(631) 979-3064
3	The Tailored Closet of Northern Westchester	5/1/2023	Correa JSC LLC	1432 Old Waterbury Rd Unit 11	Southbury	New York	06488	(845) 669-6442
	North Carolina							
	The Tailored Closet of Raleigh South	5/1/2023	Ryan Koziol	2121 E Williams Street Suite 106	Apex	North Carolina	27539	(919) 808-1019
	The Tailored Closet of Durham and Raleigh North	5/1/2023	Ryan Koziol	2121 E Williams Street Suite 106	Apex	North Carolina	27539	(919) 808-1019
	The Tailored Closet 517NC204	4/1/2023	JEF Enterprises Inc.	10416 Ardley Place Circle	Mint Hill	North Carolina	28277	(704) 659-4740
	The Tailored Closet 517NC206	4/1/2023	JEF Enterprises Inc.	10416 Ardley Place Circle	Mint Hill	North Carolina	28277	(704) 659-4740
5	The Tailored Closet 517NC209	4/1/2023	JEF Enterprises Inc.	10416 Ardley Place Circle	Mint Hill	North Carolina	28277	(704) 659-4740
	North Dakota							
1	The Tailored Closet of Fargo	11/1/2022	Zabel Investments, LLC	5256 50th Avenue South - Suite B	Fargo	North Dakota	58104	(701) 429-4995

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Ohio							
	The Tailored Closet of Cleveland East	1/1/2023	Matthew Bowser and Kerry Bowser	6434 Deer Haven Drive	Concord Twp	Ohio	44077	(216) 816-1166
	The Tailored Closet of Downtown Cincinnati	11/1/2022	Morten Partners, LLC	7453 Empire Dr, Ste 140	Florence	Ohio	41042	(513) 653-4191
3	The Tailored Closet of Cleveland West	2/1/2023	MTH Home Services, Inc.	29313 Clemens Rd., Suite 2C	Westlake	Ohio	44145	(440) 534-9661
	Pennsylvania							
	The Tailored Closet 577PA202	4/1/2023	Nickerson Fine Homes, Inc.	420 E Hamilton Ave	State College	Pennsylvania	16801	(814) 380-0560
2	The Tailored Closet of Greater Harrisburg	8/1/2023	Nickerson Fine Homes, Inc.	420 E. Hamilton Avenue	State College	Pennsylvania	16801	(814) 380-0560
	South Carolina							
	The Tailored Closet 546SC203	4/1/2023	MayLane Partners, Inc.	1255 Portrait Hill Drive	Chapin	South Carolina	29036	(803) 834-4839
	The Tailored Closet 519SC201	5/1/2023	TLSC, LLC	2447 Hwy 17 North	Mt. Pleasant	South Carolina	29466	(843) 957-3309
	The Tailored Closet 519SC202	5/1/2023	TLSC, LLC	2447 Hwy 17 North	Mt. Pleasant	South Carolina	29466	(843) 957-3309
4	The Tailored Closet 764SD201	1/1/2023	Stacey Schaeffer and Jamie Schaeffer	23751 Pine Haven Drive	Rapid City	South Dakota	57702	(605) 593-0988
	Tennessee							
	The Tailored Closet of Tri-Cities	11/1/2022	Garage Life USA LLC	810 East 8th Avenue	Johnson City	Tennessee	37601	(423) 557-4450
	The Tailored Closet of Morristown	4/1/2023	360 Solutions, LLC	PO Box 38245	Knoxville	Tennessee	37930	(865) 777-0306
	The Tailored Closet of Knoxville	4/1/2023	360 Solutions, LLC	PO Box 38245	Knoxville	Tennessee	37930	(865) 777-0306
4	The Tailored Closet 659TN202	5/1/2023	Mindy Bledsoe and Tim Bledsoe	531 Huntley Industrial Drive	Smyrna	Tennessee	37167	(615) 590-8775
	Texas							
	The Tailored Closet of Central Austin	11/1/2022	Don Michael Bice II and Jennifer Lee Ransom	1101 W 34th Street #263	Austin	Texas	78705	(512) 688-6046
	The Tailored Closet of North Katy and Cypress	10/1/2024	Gonzales Closet Designs LLC	16726 Huffmeister Road Suite# B500	Cypress	Texas	77429	(832) 952-0055
	The Tailored Closet of Corpus Christi	11/1/2022	Salty Dawg Shores Enterprises, LLC	1525 South Station Street	Port Aransas	Texas	78373	(361) 247-4140
4	The Tailored Closet 641TX201	4/1/2023	Dolly M. Holmes	10823 Vandale Street, Suite 106	San Antonio	Texas	78216	(210) 299-7673
	Utah							
	The Tailored Closet of Orem and Provo	7/1/2025	Jensen Paterson	1679 S 2750 E	Spanish Fork	Utah	84660	(385) 271-1733
	The Tailored Closet of East Salt Lake and Park City	7/1/2025	Jensen Paterson	1679 S 2750 E	Spanish Fork	Utah	84660	(385) 271-1733
3	The Tailored Closet of Southern Utah and Mesquite	4/1/2023	ABC Garage and Design, LLC	3338 Maple Mountain Drive	St. George	Utah	84780	(435) 522-4592
	Virginia							
	The Tailored Closet 511VA015	11/1/2022	J T Carter Enterprises, LLC	14110 Sullyfield Circle, Suite G	Chantilly	Virginia	20151	(703) 707-0009
	The Tailored Closet 511VA203	11/1/2022	J T Carter Enterprises, LLC	14110 Sullyfield Circle, Suite G	Chantilly	Virginia	20151	(703) 707-0009
	The Tailored Closet 511VA204	11/1/2022	J T Carter Enterprises, LLC	14110 Sullyfield Circle, Suite G	Chantilly	Virginia	20151	(703) 707-0009
	The Tailored Closet of Alexandria	11/1/2022	J T Carter Enterprises, LLC	14110 Sullyfield Circle, Suite G	Chantilly	Virginia	20151	(703) 707-0009
	The Tailored Closet of Ashburn	11/1/2022	J T Carter Enterprises, LLC	14110 Sullyfield Circle, Suite G	Chantilly	Virginia	20151	(703) 707-0009
	The Tailored Closet 556VA005	5/1/2023	sk2 Designs, Inc.	8149 Staples Mill Road	Henrico	Virginia	23228	(804) 355-1595
7	The Tailored Closet of Warrenton and Charlottesville	2/1/2023	Byron's Properties, L.L.C.	4224 Bragg Street	The Plains	Virginia	20198	(571) 347-9999
	Wisconsin							
	The Tailored Closet 669WI007	2/1/2023	Timothy Woollen	4437 Robertson Rd.	Madison	Wisconsin	53714	(608) 240-8831
	The Tailored Closet 669WI004	2/1/2023	Timothy Woollen	4437 Robertson Rd.	Madison	Wisconsin	53714	(608) 240-8831
	The Tailored Closet 658WI203	11/1/2022	Michael Paul Doberstein and Sherri Sue Doberstein	N77W16364 Countryside Drive	Menomonee Falls	Wisconsin	53051	(262) 509-0859
4	The Tailored Closet 617WI201	4/1/2023	World Class Outdoor Lighting, LLC	210 S. Prairie Avenue	Waukesha	Wisconsin	53186	(262) 875-3010
136	**Total**							

Not Operational as of 12/31/2025

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Colorado							
1	The Tailored Closet of Parker	4/1/2026	Whitney McDowell and Thomas McDowell	27093 E Indore Ave	Aurora	Colorado	80016	(320) 267-0013

1 Total

EXHIBIT D

LIST OF TERMINATED OR TRANSFERRED FRANCHISES

If we grant you this franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

Terminated Franchises/Ceased Operations/Other

Total	Status	Company	End Date	Owner	City	State	Zip	Phone
	Illinois							
1	K - Non-Renewal	The Tailored Closet 682IL203	11/30/2025	Bret Eugene Johnson	Milan	Illinois	61264	(309) 429-6270
	Kentucky							
1	K - Non-Renewal	The Tailored Closet of Lexington	12/31/2025	Premier Garage of Central Kentucky, Inc.	Nicholasville	Kentucky	40356	(859) 621-7510
	New Jersey							
1	K - Non-Renewal	The Tailored Closet 504NJ202	10/31/2025	Daniel Pascucci and Racqel Pascucci	Marlton	New Jersey	08053	(856) 872-2918
	Ohio							
1	K - Non-Renewal	The Tailored Closet 515OH204	10/31/2025	Denny Rupp, Heather Rupp, Kevin Melton, and Michelle Melton	Monroe	Ohio	45050	(513) 360-4442
	Oregon							
	K - Non-Renewal	The Tailored Closet 820OR205	10/31/2025	HomeThrive Systems, Inc.	Lake Oswego	Oregon	97035	(503) 339-7834
	K - Non-Renewal	The Tailored Closet 820OR203	10/31/2025	HomeThrive Systems, Inc.	Lake Oswego	Oregon	97035	(503) 339-7834
3	K - Non-Renewal	The Tailored Closet 820OR202	10/31/2025	HomeThrive Systems, Inc.	Lake Oswego	Oregon	97035	(503) 339-7834
	Texas							
	H - Ceased Operations Mutual Release	The Tailored Closet 635TX205	7/3/2025	Functional Style, Inc.	Georgetown	Texas	78628	(512) 868-1839
	H - Ceased Operations Mutual Release	The Tailored Closet 635TX201	7/3/2025	Functional Style, Inc.	Georgetown	Texas	78628	(512) 868-1839
3	H - Ceased Operations Mutual Release	The Tailored Closet of Keller	9/1/2025	Blake Riddel	Weatherford	Texas	76088	(817) 228-4151

10 Total

Transferred Franchises

Total	Status	Company	End Date	Owner	City	State	Zip	Phone
	Utah							
	G - Transfer 1. Owne	The Tailored Closet 770UT205	7/1/2025	ABC Garage and Design, LLC	St. George	Utah	84790	(385) 271-1981
2	G - Transfer 1. Owne	The Tailored Closet of East Salt Lake and Park City	7/1/2025	ABC Garage and Design, LLC	St. George	Utah	84790	(385) 271-1981

2 Total

EXHIBIT E

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 or (866) 275-2677 Website: http://www.dfpi.ca.gov Email: Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8236	Attn: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Securities Division Department of Financial Institutions P.O. Box 41200 Olympia, WA 98504-1200	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760

State	State Agency	Agent for Service of Process
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT F

CONFIDENTIAL OPERATING MANUAL TABLE OF CONTENTS

Operations Manual – Table of Contents

Section	Topic	Page
1	Introduction	2
2	Policies and Procedures	9
3	Operations	31
4	Product Knowledge and Design	47
5	Sales	82
6	Marketing	111
7	Financial Management	135
8	Technology Platforms	148

EXHIBIT G

CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT

CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT

This Consent to Transfer and Assumption of Franchise Agreement ("Consent and Assumption") is entered into by and among Organized Spaces, LLC, a California limited liability company ("Organized Spaces"), _____("Existing Franchisee"), and _____ ("New Franchisee").

WHEREAS, Organized Spaces and Existing Franchisee presently are parties to that certain Franchise Agreement, dated_____ ("Franchise Agreement"), pursuant to which Organized Spaces franchised Existing Franchisee the right to operate a business ("Franchised Business") including the Marks of Organized Spaces ("Franchise") in the territory known as The Tailored Closet of _____ ("Territory").

WHEREAS, with Organized Spaces' consent, Existing Franchisee is transferring the Franchise to New Franchisee and New Franchisee is accepting the Franchise in accordance with the obligations set forth in the Franchise Agreement, including, but not limited to, the obligations regarding assignment set forth in paragraph 9.2 of the Franchise Agreement, which are hereby expressly incorporated and made a part of this Consent and Assumption.

NOW, THEREFORE, in consideration of the foregoing and of the covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Existing Franchisee shall transfer the Franchise to New Franchisee on or about _____("Transfer Date") subject to the provisions of paragraph 3, below, and paragraph 9.2 of the Franchise Agreement.

2. Existing Franchisee will transfer physical possession to New Franchisee of all items required by the Franchise Agreement, including, without limitation, (i) all books, manuals, financial records, receipts, invoices, and documents relating to the Franchised Business; and (ii) all other documents, property and other objects containing the THE TAILORED CLOSET® Marks. New Franchisee has reviewed the Confidential Operating Manual and agrees that it shall apply fully to its operation of the Franchised Business. New Franchisee agrees to abide by all other manuals and guidelines, present and future, of Organized Spaces, including, but not limited to, those pertaining to advertising.

3. If the state where the Franchised Business will be conducted requires New Franchisee to have a contractor's license to conduct the Franchised Business, New Franchisee shall obtain such contractor's license (or at all times have an employee who has a contractor's license) prior to the Transfer Date.

4. If New Franchisee has not already done so to the satisfaction of Organized Spaces, New Franchisee shall comply with the training requirements set forth in the Franchise Agreement by attending the next available training program offered by Organized Spaces for new franchisees.

5. Concurrently upon the Transfer Date New Franchisee shall become a franchisee of Organized Spaces under the Franchise Agreement and Existing Franchisee shall immediately cease operating under the Franchise Agreement. Existing Franchisee shall thereupon comply with all provisions in the Franchise Agreement concerning termination set forth in Article 12 thereof, including, but not limited to, ceasing all use of THE TAILORED CLOSET® Marks.

6. As between Existing Franchisee and Organized Spaces, and with the exception of the rights and obligations set forth in Article 12 of the Franchise Agreement (which is incorporated herein by reference), the franchise relationship created by the Franchise Agreement is hereby terminated and superseded by this Consent and Assumption and in all respects having been assumed by New Franchisee as of the Transfer Date. Existing Franchisee hereby waives all rights to relief from forfeiture under §1179 of the California Code of Civil Procedure and acknowledges that there is no subsisting franchise agreement between Organized Spaces and existing Franchisee.

7. Existing Franchisee shall sign all documentation deemed necessary by Organized Spaces to transfer the Franchise to New Franchisee.

8. New Franchisee shall sign Organized Spaces' current form of franchise agreement for a new ten (10) year term. Upon signing of the current form of franchise agreement by New Franchisee, the Franchise Agreement shall be terminated and superseded by the franchise agreement signed pursuant to this Section 8.

9. (a) As consideration for Organized Spaces and New Franchisee to enter into this Consent and Assumption, Existing Franchisee shall refrain from, either directly or indirectly, for [*itself or himself or herself or themselves*] or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or other entity, within the Territory, and from the date of this Agreement through [*two years from the Transfer Date*]:

(i) Diverting or attempting to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or doing or performing, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with THE TAILORED CLOSET Marks and the System (as that term is defined in the Franchise Agreement); or

(ii) Within, or within a 25 mile radius of, the Territory or the territory of any THE TAILORED CLOSET® business in existence or under development as at the Transfer Date, owning, maintaining, engaging in, or having any interest in any business (including any business operated by Existing Franchisee prior to entry into this Agreement) that derives revenues from the direct or indirect retail sale of closet, pantry, home office, storeroom, utility room, basement, laundry room and/or attic organizers or services or other products or services similar to those sold by Franchisor or any of its franchisees.

(b) The parties agree that each of the foregoing covenants shall be construed as

independent of any other covenant or provision of this Consent and Assumption. If all or any portion of a covenant in Paragraph 9(a) is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Organized Spaces is a party, Existing Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph.

(c) The parties understand and acknowledge that Organized Spaces shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraph 9(a) or any portion thereof effective immediately upon receipt by Existing Franchisee of written notice thereof from Organized Spaces, and Existing Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

(d) Paragraph 9(a) shall not apply to ownership by Existing Franchisee of less than a one percent (1%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

10. New Franchisee shall resolve any problems or complaints raised by customers of Existing Franchisee with the same high standards of customer service, and in the same fashion, as New Franchisee responds to problems or complaints raised by customers of New Franchisee and shall not resolve such problems or complaints in a manner that is less advantageous to the customers of Existing Franchisee than the manner in which New Franchisee resolves problems or complaints from New Franchisee's own customers.

11. New Franchisee acknowledges that it has received the Confidential Operating Manual and other books and records of Existing Franchisee and has undertaken an independent investigation of the Franchised Business.

12. Existing Franchisee releases, indemnifies and agrees to hold harmless Organized Spaces in respect of any liabilities which may arise as a result of this transfer.

13. Failure to comply with any of the provisions of this Consent and Assumption shall constitute a material breach hereof and shall entitle Organized Spaces to any of the remedies provided in this Consent and Assumption or the Franchise Agreement, or as may be available at law or in equity.

14. Except as previously provided herein, as among the undersigned parties, each shall bear their respective costs and attorneys' fees incurred in connection with this Consent and Assumption, and events preceding its negotiation and signing.

15. In granting its consent to this Consent and Assumption, Organized Spaces has elected not to exercise its right of first refusal as provided in paragraph 9.3 of the Franchise Agreement. Notwithstanding the foregoing, however, the Existing Franchisee shall have a period of 90 days after the date of signing of this Consent and Assumption to complete the transfer of the Franchise and the Existing Franchisee shall again be required to comply with Article 9 of the Franchise Agreement before the transfer can be effected.

16. Subject to applicable state law and with the express exception of any liability under the Maryland Franchise Registration and Disclosure Law, in consideration for this Consent and Assumption, Existing Franchisee, for itself, its successors, assigns, and anyone claiming through or under it, hereby remises, releases, acquits and forever discharges Organized Spaces, and its predecessors, successors, assigns, heirs, executors and administrators (as the case may be), and its past, present and future associates, owners, stockholders, agents, directors, officers, partners, employees, attorneys, accountants and representatives of and from any and all manner of action or actions, cause or causes of action, in law or in equity, arbitrations, suits, debts, agreements, promises, liabilities, claims, demands, damages, loss, cost or expense, known or unknown, fixed or contingent, which Existing Franchisee has or may hereafter have against Organized Spaces by reason of any matter, cause or thing whatsoever, from the beginning of time to the date hereof, including all matters, causes or things whatsoever, that were or have been or could have in any way been alleged in any pleading filed in any arbitration proceeding or suit, which are related to the Franchise Agreement, except for those matters expressly excepted herein.

17. Existing Franchisee and New Franchisee have had adequate opportunity to obtain the advice of legal counsel prior to signing this Consent and Assumption. Existing Franchisee executes this Consent and Assumption voluntarily, with full knowledge of its significance, and with the express intention of effecting the legal consequences provided by Section 1541 of the California Civil Code, i.e., the extinguishment of all obligations, except as expressly excepted herein.

18. Except as expressly stated to the contrary herein, any dispute arising out of this Consent and Assumption shall be resolved pursuant to the provisions contained in Article 11 of the Franchise Agreement.

19. Although the Franchise Agreement provides that no interest in the Franchise Agreement can be transferred without the prior written consent of Organized Spaces, New Franchisee acknowledges that Organized Spaces does not represent or warrant that Existing Franchisee has not made any unauthorized prior transfers or otherwise has any interest free and clear to anything being transferred now. Organized Spaces advises New Franchisee to conduct its own investigation to confirm that Existing Franchisee has the right to transfer the Franchise, and that Existing Franchisee has not made any transfer without consent from Organized Spaces.

20. Organized Spaces will be provided with a copy of the written sales agreement made by and between the Existing Franchisee and New Franchisee.

21. This Consent and Assumption may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute a single document. Each of the signatories below expressly covenants that he, she or it has the authority to enter into this Consent and Assumption.

IN WITNESS WHEREOF, the parties hereto have duly signed this Consent and Assumption on the dates set forth below, it being effective upon the latest of those dates.

CAUTION. THIS CONSENT AND ASSUMPTION CONTAINS IMPORTANT TERMS. READ BEFORE SIGNING.

Dated:_____ ORGANIZED SPACES, LLC

By:_____
Jarrett Smith, President

Dated:_____ EXISTING FRANCHISEE

By:_____
Name:_____
Title: _____

By:_____
Name:_____
Title: _____

Dated:_____ NEW FRANCHISEE(S)

By:_____
Name:_____
Title: _____

EXHIBIT H

VETERANS ADDENDUM

VETERANS ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement (this "***Addendum***") is entered into as of _____, 20__, ("***Effective Date***"), between Organized Spaces, LLC, a California limited liability company ("***Franchisor***"), and _____, a(n) _____ ("***Franchisee***"), to amend a Franchise Agreement intended to bear the same date as this Addendum (the "***Franchise Agreement***"), for a Territory in the state of _____ known as The Tailored Closet of _____ ("***Territory***").

This Addendum amends some of the provisions of the Franchise Agreement to reflect the agreement between the parties as to fees payable under the Franchise Agreement. Any capitalized terms that are defined in the Franchise Agreement are used in this Addendum as defined in the Franchise Agreements.

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

1. **Initial Franchise Fee**. Section 4.1 of the Franchise Agreement is amended as follows:

Concurrently with Franchisee's signing of this Agreement, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $16,958. Franchisee will receive the THE TAILORED CLOSET® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable.

2. **Territory Fee**. Section 4.2 of the Franchise Agreement is amended as follows:

Concurrently with Franchisee's signing of this Agreement, if Franchisee is purchasing the Territory from Franchisor (rather than an existing franchisee) Franchisee also will pay Franchisor a Territory Fee of $46,750. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.

3. **Reaffirmation**. Except as specifically modified by this Addendum, all terms and provisions of the Franchise Agreements are reaffirmed in their entirety.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed on or as of the dates indicated below:

FRANCHISOR
ORGANIZED SPACES, LLC

Date: _____

By: _____
Jarrett Smith, President

Sign here if Franchisee is an individual:

FRANCHISEE

Date:_____

_____

Name: _____

Sign here if Franchisee is a company:

FRANCHISEE

Company Name:_____

Date:_____

By: _____

Name: _____

Title:_____

EXHIBIT I

ACH AUTHORIZATION FORM

EXHIBIT J

SECURED PROMISSORY NOTE

SECURED PROMISSORY NOTE

Date:_____

US$_____

Irvine, California

FOR VALUE RECEIVED, the undersigned (hereinafter "Obligor"), hereby promises to pay to the order of ORGANIZED SPACES, LLC., a limited liability company organized under the laws of California (hereinafter "Secured Party"), in such coin or currency of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, the principal sum of U.S. $_____, together with interest from and after the date hereof on the unpaid principal balance outstanding at the rate of 10% per annum.

This Secured Promissory Note (the "Note") is the Secured Promissory Note referred to in, and is issued pursuant to, that certain Security Agreement entered into by Obligor in favor of Secured Party, dated as of even date with the date hereof (hereinafter, as amended from time to time, the "Security Agreement"), and is entitled to all of the benefits and security of the Security Agreement. All of the terms, covenants and conditions of the Security Agreement are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms used herein, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Security Agreement.

In no event whatsoever shall the aggregate of all amounts deemed interest under this Note and charged or collected hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. If any provisions of this Note are in contravention of any such law, such provisions shall be deemed amended to conform thereto. Interest hereunder shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days.

For so long as no Event of Default shall have occurred the principal amount and accrued interest of this Note shall be due and payable on the dates and in the manner hereinafter set forth:

(a) Principal and interest shall be due and payable monthly commencing on _____, 20_, and continuing on the first day of each month thereafter to and including the first day of _____ 20_, in installments of $_____each; and

(b) Notwithstanding the foregoing, the entire unpaid principal balance and accrued interest on this Note shall be due and payable immediately upon any acceleration of the Obligations pursuant to Section 6.2 of the Security Agreement or upon the purchase by Obligor of another HOME FRANCHISE CONCEPTS® brand franchise from any source.

Obligor may prepay this Note in whole or in part from time to time without penalty, but any principal payment must be accompanied by all interest then accrued, if any. Any partial payments will be applied to discharge the principal sum payments in the inverse order in which any payments would otherwise become due. Additionally, Obligor may terminate the Security

Agreement by paying in full all the Obligations due to Secured Party under this Note and as otherwise due to Secured Party under the Security Agreement, in cash.

Upon the occurrence of an Event of Default, Secured Party shall have all of the rights and remedies set forth in Section 6.2 of the Security Agreement.

Time is of the essence of this Note. To the fullest extent permitted by applicable law, Obligor, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and the benefit of any exemption or insolvency laws.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Secured Party in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Secured Party of any right or remedy preclude any other right or remedy. Secured Party, at its option, may enforce its rights against any collateral securing this Note without enforcing its rights against Obligor, any guarantor of the indebtedness evidenced hereby or any other property or indebtedness due or to become due to Obligor. Obligor agrees that, without releasing or impairing Obligor's liability hereunder, Secured Party may at any time release, surrender, substitute or exchange any collateral securing this Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Note.

This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of California, except that for purposes of the usury laws (and determining the maximum rate of interest allowable), this Note shall be governed by and construed and enforced in accordance with the laws of the state of Obligor's residence.

IN WITNESS WHEREOF, Obligor has caused this Note to be duly executed and delivered in Irvine, California, on the date first above written.

_____

Signature

Print Name

EXHIBIT K

GENERAL SECURITY AGREEMENT

GENERAL SECURITY AGREEMENT

This General Security Agreement dated as of _____ is entered into by _____ and _____ (collectively, "Pledgor") in favor of ORGANIZED SPACES, LLC, a limited liability company organized under the laws of California ("Secured Party").

W I T N E S S E T H

WHEREAS, Pledgor has issued that certain Secured Promissory Note (the "Note") in favor of Secured Party, dated as of_____, pursuant to which Secured Party has or is about to make certain financial accommodations to Pledgor; and

WHEREAS, Secured Party has conditioned its providing said financial accommodations to Pledgor on Pledgor's granting a security interest in substantially all of its assets in favor of Secured Party to secure Pledgor's obligations to Secured Party under the Note;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

All terms used herein which are defined in Article 1 or Article 9 of the Code (as hereinafter defined) shall have the meanings ascribed thereto in the Code unless otherwise defined in this Agreement. All references to Pledgor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1. Accounts

"Accounts" shall mean all present and future rights of Pledgor to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2. Code

"Code" means the California Uniform Commercial Code.

1.3. Equipment

"Equipment" shall mean all of Pledgor's now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.4. Event of Default

"Event of Default" shall have the meaning set forth in Section 6.1 hereof.

1.5. Financing Agreements

"Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements and other agreements, documents and instruments now or at any time hereafter executed or delivered by Pledgor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.6. GAAP

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied.

1.7. Inventory

"Inventory" shall mean all of Pledgor's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.8. Note

"Note" shall have the meaning set forth in the recitals hereto, as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.9. Obligations

"Obligations" shall mean any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Pledgor to Secured Party or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under the Note, this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Note, this Agreement or after the commencement of any case with respect to Pledgor under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party.

1.10. Person or person

"Person" or "person" shall mean any individual, sole proprietorship, limited liability company or partnership, partnership, corporation (including any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.11. Records

"Records" shall mean all of Pledgor's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Pledgor with respect to the foregoing maintained with or by any other person).

SECTION 2. GRANT OF SECURITY INTEREST

To secure payment and performance of all Obligations, Pledgor hereby grants to Secured Party a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Secured Party as security, the following property and interests in property, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

(a) all Accounts,

(b) all present and future contract rights, general intangibles (including tax and duty refunds, registered and unregistered patents, franchises, licenses, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as franchisor or franchisee, choses in action and other claims and existing and future leasehold interests

in equipment, real estate and fixtures), chattel paper, documents, instruments, letters of credit, bankers' acceptances and guaranties,

(c) all present and future monies, securities, credit balances, deposits, deposit accounts and other property of Pledgor now or hereafter held or received by or in transit to any depository or other institution from or for the account of Pledgor whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including:

(i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral,

(ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party,

(iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including returned, repossessed and reclaimed goods, and

(iv) deposits by and property of account debtors or other persons securing the obligations of account debtors.

(d) all Inventory,

(e) all Equipment,

(f) all Records, and

(g) all products and proceeds of the foregoing, in any form, including insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

SECTION 3. COLLATERAL COVENANTS

3.1. Accounts Covenants

(a) Secured Party shall have the right at any time or times, in Secured Party's name or in the name of a nominee of Secured Party, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise.

(b) Pledgor shall deliver or cause to be delivered to Secured Party, with appropriate endorsement and assignment, with full recourse to Pledgor, all chattel paper and instruments which Pledgor now owns or may at any time acquire immediately upon Pledgor's receipt thereof, except as Secured Party may otherwise agree.

(c) Secured Party may, at any time or times that an Event of Default exists or has occurred and is continuing,

(i) notify any or all account debtors that the Accounts have been assigned to Secured Party and that Secured Party has a security interest therein and Secured Party may direct any or all accounts debtors to make payment of Accounts directly to Secured Party,

(ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations,

(iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Secured Party shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and

(iv) take whatever other action Secured Party may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Secured Party's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Party and are payable directly and only to Secured Party and Pledgor shall deliver to Secured Party such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Secured Party may require.

3.2. Inventory Covenants

With respect to the Inventory:

(a) Pledgor shall at all times maintain inventory records reasonably satisfactory to Secured Party, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Pledgor's cost therefor and daily withdrawals therefrom and additions thereto,

(b) Pledgor shall conduct a physical count of the Inventory at least once each year, but at any time or times as Secured Party may request on or after an Event of Default, and promptly following such physical inventory shall supply Secured Party with a report in the form and with such specificity as may be reasonably satisfactory to Secured Party concerning such physical count,

(c) Pledgor shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Secured Party, except for sales of Inventory in the ordinary course of Pledgor's business and except to move Inventory directly from one location set forth or permitted herein to another such location,

(d) upon Secured Party's request, Pledgor shall, at its expense, no more than once in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Secured Party and by an appraiser acceptable to Secured Party, addressed to Secured Party or upon which Secured Party is expressly permitted to rely,

(e) Pledgor shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto),

(f) Pledgor assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory,

(g) Pledgor shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Pledgor to repurchase such Inventory,

(h) Pledgor shall keep the Inventory in good and marketable condition, and

(i) Pledgor shall not, without prior written notice to Secured Party, acquire or accept any Inventory on consignment or approval.

3.3. Equipment Covenants

With respect to the Inventory:

(a) Upon Secured Party's request, Pledgor shall, at its expense, at anytime or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Equipment in form, scope and methodology acceptable to Secured Party and by appraiser acceptable to Secured Party,

(b) Pledgor shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted),

(c) Pledgor shall use the Equipment with all reasonable care and caution and in

accordance with applicable standards of any insurance and in conformity with all applicable laws,

(d) the Equipment is and shall be used in Pledgor's business and not for personal, family, household or farming use,

(e) Pledgor shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Pledgor or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Pledgor in the ordinary course of business,

(f) the Equipment is now and shall remain personal property and Pledgor shall not permit any of the Equipment to be or become a part of or affixed to real property, and

(g) Pledgor assumes all responsibility and liability arising from the use of the Equipment.

3.4. Power of Attorney

Pledgor hereby irrevocably designates and appoints Secured Party (and all persons designated by Secured Party) as Pledgor's true and lawful attorney-in- fact, and authorizes Secured Party, in Pledgor's or Secured Party's name, to:

(a) at any time an Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing:

(i) demand payment on Accounts or other proceeds of Inventory or other Collateral,

(ii) enforce payment of Accounts by legal proceedings or otherwise,

(iii) exercise all of Pledgor's rights and remedies to collect any Account or other Collateral,

(iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Secured Party deems advisable,

(v) settle, adjust, compromise, extend or renew an Account,

(vi) discharge and release any Account,

(vii) prepare, file and sign Pledgor's name on any proof of claim in bankruptcy or other similar document against an account debtor,

(viii) notify the post office authorities to change the address for delivery of Pledgor's mail to an address designated by Secured Party, and open and dispose of all mail addressed to Pledgor, and

(ix) do all acts and things which are necessary, in Secured Party's determination, to fulfill Pledgor's obligations under this Agreement and the other Financing Agreements and

(b) at any time to:

(i) take control in any manner of any item of payment or proceeds thereof,

(ii) have access to any lockbox or postal box into which Pledgor's mail is deposited,

(iii) endorse Pledgor's name upon any items of payment or proceeds thereof and deposit the same in the Secured Party's account for application to the Obligations,

(iv) endorse Pledgor's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, and

(v) sign Pledgor's name on any verification of Accounts and notices thereof to account debtors, and

(vi) execute in Pledgor's name and file any UCC financing statements or amendments thereto. Pledgor hereby releases Secured Party and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Secured Party's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

3.5. Right to Cure

Secured Party may, at its option,

(a) cure any default by Pledgor under any agreement with a third party or pay or bond on appeal any judgment entered against Pledgor,

(b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and

(c) pay any amount, incur any expense or perform any act which, in Secured Party's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Secured Party with respect thereto. Secured Party may add any amounts so expended to the Obligations and charge Pledgor's account therefor, such amounts to be repayable by Pledgor on demand. Secured Party shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Pledgor.

Any payment made or other action taken by Secured Party under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

3.6. Access to Premises

From time to time as requested by Secured Party, at the cost and expense of Pledgor,

(a) Secured Party or its designee shall have complete access to all of Pledgor's premises during normal business hours and after notice to Pledgor, or at any time and without notice to Pledgor if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Pledgor's books and records, including the Records, and

(b) Pledgor shall promptly furnish to Secured Party such copies of such books and records or extracts therefrom as Secured Party may request, and

(c) Secured Party shall have the right to use during normal business hours such of Pledgor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

SECTION 4. REPRESENTATIONS AND WARRANTIES

Pledgor hereby represents and warrants to Secured Party the following (which shall survive the execution and delivery of this Agreement):

4.1. Chief Executive Office; Collateral Locations

The chief executive office of Pledgor and Pledgor's Records concerning Accounts are located only at the address set forth below and its only other places of business and the only other locations of Collateral, if any, are the addresses provided by Pledgor to Secured Party in writing prior to the date hereof, subject to the right of Pledgor to establish new locations in accordance with Section 5.1 below.

4.2. Priority of Liens; Title to Properties

The security interests and liens granted to Secured Party under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 4.2 hereto. Pledgor has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Secured Party and such others as are specifically listed on Schedule 4.2 hereto.

4.3. Accuracy and Completeness of Information

All information furnished by or on behalf of Pledgor in writing to Secured Party in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Pledgor, which has not been fully and accurately disclosed to Secured Party in writing.

4.4. Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Secured Party on the date of any additional borrowing or other credit accommodation under any amendment, restatement, modification or substitution of the Note and shall be conclusively presumed to have been relied on by Secured Party regardless of any investigation made or information possessed by Secured Party. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Pledgor shall now or hereafter give, or cause to be given, to Secured Party.

SECTION 5. AFFIRMATIVE AND NEGATIVE COVENANTS

5.1. New Collateral Locations

Pledgor may open any new location within the continental United States provided Pledgor:

(a) gives Secured Party ten (10) days prior written notice of the intended opening of any such new location and

(b) executes and delivers, or causes to be executed and delivered, to Secured Party such agreements, documents, and instruments as Secured Party may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including UCC financing.

5.2. Insurance

Pledgor shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Secured Party as to form, amount and insurer. Pledgor shall furnish certificates, policies or endorsements to Secured Party as Secured Party shall require as proof of such insurance, and, if Pledgor fails to do so, Secured Party is authorized, but not required, to obtain such insurance at the expense of Pledgor. All policies shall provide for at least thirty (30) days prior written notice to Secured Party of any cancellation or reduction of coverage and that Secured Party may act as attorney for Pledgor in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Pledgor shall cause Secured Party to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Pledgor shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Secured Party. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Secured Party as its interests may appear and further specify that Secured Party shall be paid regardless of any act or omission by Pledgor or any of its affiliates. At its option, Secured Party may apply any insurance proceeds received by Secured Party at any time to the cost of repairs or replacement of Collateral or to payment of the Obligations, whether or not then due, in any order and in such manner as Secured Party may determine or hold such proceeds as cash collateral for the Obligations.

5.3. Costs and Expenses

Pledgor shall pay to Secured Party on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Secured Party's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to:

(a) all costs and expenses of filing or recording (including all filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable, payable in connection any and all financing statements or fixture filings necessary to perfect and continue perfected Secured Party's security interests in the Collateral),

(b) all title insurance and other insurance premiums, appraisal fees and search fees,

(c) costs and expenses of preserving and protecting the Collateral,

(d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Secured Party, selling

or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Secured Party arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters), and

(e) the fees and disbursements of counsel (including legal assistants) to Secured Party in connection with any of the foregoing.

5.4. Further Assurances

At the request of Secured Party at any time and from time to time, Pledgor shall, at its expense, at any time or times duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Where permitted by law, Pledgor hereby authorizes Secured Party to execute and file one or more UCC financing statements signed only by Secured Party.

SECTION 6. EVENTS OF DEFAULT AND REMEDIES

6.1. Events of Default

The occurrence or existence of any of the following events (each an "Event of Default") shall occur and be continuing:

(a) The Pledgor shall fail to pay any installment of principal or interest or any other amount payable under the Note when due; or

(b) Any representation or warranty made by the Pledgor herein or by the Pledgor (or any of its officers) in connection with the Financing Agreements shall prove to have been incorrect in any material respect when made; or

(c) The Pledgor shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed; or

(d) The Pledgor shall default in the performance of or compliance with any term contained in any Financing Agreement other than this Agreement and such default shall not have been remedied or waived within any applicable grace period; or

(e) The Pledgor shall

(i) fail to pay any principal of, or premium or interest on, any

indebtedness, the aggregate outstanding principal amount of which is at least $10,000 (excluding indebtedness evidenced by the Note), when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness, or

(ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness or material tothe performance, business, property, assets, condition (financing or otherwise) or prospects of the Pledgor when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument; or

(f) (i) the Pledgor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Pledgor shall make a general assignment for the benefit of its creditors; or

(ii) there shall be commenced against the Pledgor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unhanded for a period of thirty (30) days; or

(iii) there shall be commenced against the Pledgor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distrait or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

(iv) the Pledgor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) and (iii) above; or (v) the Pledgor shall generally not, or shall be unable to, or shall admit in writing its

inability to, pay its debts as they become due; or

(g) One or more judgments or decrees shall be entered against the Pledgor involving in the aggregate a liability (not paid or fully covered by insurance or reserves) equal to or greater than $5,000 and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

(h) There shall be instituted against the Pledgor any proceeding for which forfeiture of any property is a potential penalty and such proceeding remains undismissed, undischarged or unbonded for a period of thirty (30) days from the date the Pledgor knows of such proceeding.

6.2. Remedies

(a) At any time an Event of Default exists or has occurred and is continuing, Secured Party shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by Pledgor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Secured Party hereunder, under any of the other Financing Agreements, the Code or other applicable law, are cumulative, not exclusive and enforceable, in Secured Party's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by Pledgor of this Agreement or any of the other Financing Agreements. Secured Party may, at any time or times, proceed directly against Pledgor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Secured Party may, in its discretion and without limitation,

(i) accelerate the payment of all Obligations and demand immediate payment thereof to Secured Party (provided that, upon the occurrence of any Event of Default described in Section 6.1(f), all Obligations shall automatically become immediately due and payable),

(ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral,

(iii) require Pledgor, at Pledgor's expense, to assemble and make available to Secured Party any part or all of the Collateral at any place and time designated by Secured Party,

(iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral,

(v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose,

(vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Secured Party or elsewhere) at such prices or terms as Secured Party may deem reasonable, for cash, upon credit or for future delivery, with the Secured Party having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Pledgor, which right or equity of redemption is hereby expressly waived and released by Pledgor. If any of the Collateral is sold or leased by Secured Party upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Secured Party. If notice of disposition of Collateral is required by law, ten (10) days prior notice by Secured Party to Pledgor designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Pledgor waives any other notice. In the event Secured Party institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Pledgor waives the posting of any bond which might otherwise be required.

(c) Secured Party may apply the cash proceeds of Collateral actually received by Secured Party from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Secured Party may elect, whether or not then due. Pledgor shall remain liable to Secured Party for the payment of any deficiency with interest at the highest rate provided for in the Note and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

SECTION 7. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

7.1. Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of California (without giving effect to principles of conflicts of law), except, that the laws of Pledgor's state of residence will apply to any determination of the maximum interest rate payable or the existence of usury.

(b) Pledgor irrevocably consents and submits to the non-exclusive jurisdiction of the Superior Court of the State of California, County of Los Angeles and the United States District Court for the Central District of California and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected or related or incidental to the dealings of Pledgor and Secured Party in respect of this Agreement or the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above (except that Secured Party shall have the right to bring any action or proceeding against Pledgor or its property in the courts of any other jurisdiction which Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Pledgor or its property).

(c) Pledgor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Secured Party's option, by service upon Pledgor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Pledgor shall appear in answer to such process, failing which Pledgor shall be deemed in default and judgment may be entered by Secured Party against Pledgor for the amount of the claim and other relief requested.

(d) PLEDGOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF PLEDGOR AND SECURED PARTY IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER

FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. PLEDGOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT PLEDGOR OR SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF PLEDGOR AND SECURED PARTY TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Secured Party shall not have any liability to Pledgor (whether in tort, contract, equity or otherwise) for losses suffered by Pledgor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the reputable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

7.2. Waiver of Notices

Pledgor hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Pledgor which Secured Party may elect to give shall entitle Pledgor to any other or further notice or demand in the same, similar or other circumstances.

7.3. Amendments and Waivers

Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

7.4. Indemnification

Pledgor shall indemnify and hold Secured Party, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Pledgor shall pay the maximum portion which it is permitted to pay under applicable law to Secured Party in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the other Financing Agreements. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

SECTION 8. MISCELLANEOUS

8.1 Notices

(a) All notices, requests and demands hereunder shall be in writing and made to Secured Party at Organized Spaces, LLC, 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, and to Pledgor at the address set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and

(b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

8.2 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

8.3 Successors

This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Pledgor and its successors and assigns and inure to the

benefit of and be enforceable by Secured Party and its successors and assigns, except that Pledgor may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Secured Party.

8.4 Entire Agreement

This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

IN WITNESS WHEREOF, Pledgor and Secured Party have caused these presents to be duly executed as of the day and year first above written.

Secured Party:
ORGANIZED SPACES, LLC

By: Jarrett Smith,
President

Pledgor:

Sign here:_____

Print Name:_____

Sign here:_____

Print Name:_____

Address of Pledgor's Offices:

EXHIBIT L

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT M

RECEIPTS

RECEIPT (YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is Organized Spaces, LLC, located at 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, Telephone (949) 404 1100.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Iowa requires that we give you this disclosure document at the 1st personal meeting. Michigan requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this disclosure document at the earlier of the 1st personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit E. We authorize the agents listed in Exhibit E to this disclosure document to receive service of process for us.

The name, principal business address and telephone number of each franchise seller offering the franchise: Joshua Barker, Aaron Cady, Bryan Cranfill, Troy Molen, Ralph Rooney, Jessica Sproule, Brandy Ward, Craig Green, and Randal Shirley, 19000 MacArthur Blvd., Suite 100, Irvine, CA 92612, (866) 813-9211; and _____.

Issuance Date: March 20, 2026

On _____, I received a disclosure document dated March 20, 2026, that included the following exhibits:

A: Franchise Agreement, State Addendum and Schedules
B: Financial Statements
C: List of Franchisees
D: List of Terminated or Transferred Franchises
E: State Franchise Administrators and Agents for Service of Process
F: Confidential Operating Manual Table of Contents
G: Consent to Transfer and Assumption of Franchise Agreement
H: Veterans Addendum to Franchise Agreement
I: ACH Authorization Form
J: Secured Promissory Note
K: General Security Agreement
L: State Effective Dates
M: Receipts

Signature of Prospective Franchisee

Print Name of Prospective Franchisee

You should retain this dated and signed Receipt for your records.

RECEIPT (OUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is Organized Spaces, LLC, located at 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, Telephone (949) 404 1100.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa requires that we give you this disclosure document 10 days before the execution of any binding franchise or other agreement or the payment of consideration, whichever occurs first. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit E. We authorize the agents listed in Exhibit E to this disclosure document to receive service of process for us.

The name, principal business address and telephone number of each franchise seller offering the franchise: Joshua Barker, Aaron Cady, Bryan Cranfill, Troy Molen, Ralph Rooney, Jessica Sproule, Brandy Ward, Craig Green, and Randal Shirley, 19000 MacArthur Blvd., Suite 100, Irvine, CA 92612, (866) 813-9211; and _____.

Issuance Date: March 20, 2026

On _____, I received a disclosure document dated March 20, 2026, that included the following exhibits:

A: Franchise Agreement, State Addendum and Schedules
B: Financial Statements
C: List of Franchisees
D: List of Terminated or Transferred Franchises
E: State Franchise Administrators and Agents for Service of Process
F: Confidential Operating Manual Table of Contents
G: Consent to Transfer and Assumption of Franchise Agreement
H: Veterans Addendum to Franchise Agreement
I: ACH Authorization Form
J: Secured Promissory Note
K: General Security Agreement
L: Effective Dates
M: Receipts

Signature of Prospective Franchisee Print Name of Prospective Franchisee

You should return this dated and signed Receipt to Aaron Cady at 19000 MacArthur Blvd, Suite 100, Irvine, CA 92612, (949) 404 1100, Aaron.Cady@gohfc.com.