

## FRANCHISE DISCLOSURE DOCUMENT

# TRUE SOCIETY

TRUE SOCIETY USA INC.  
A Kansas Corporation  
15500 W 113th Street  
Lenexa, KS 66219  
(913) 374 0278  
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www.truesociety.com

We offer qualified parties a franchise for the right to independently own and operate a boutique (each, a “Boutique”) featuring bridal gowns, bridesmaids’ dresses, related formal wear and accessories, and optional alteration services in addition to various other related apparel and accessories that we may approve from time to time. Each Boutique is operated utilizing (a) the certain proprietary marks we designate, including our current primary mark TRUE SOCIETY and all other marks, names, logos and trade dress we designate, (“Proprietary Marks”) and (b) a system of operations, standards and specification that we and our affiliate/principals have developed for use in connection with the establishment and ongoing operation of a Boutique (“System”).

~~If you are opening a new bridal boutique, the total investment necessary to begin operation ranges from \$510,000 to \$808,000. This includes \$153,000 to \$257,000 that must be paid to the franchisor or its affiliate(s). Alternatively, if you are converting an existing bridal boutique to a True Society Boutique, the total investment necessary to begin operation ranges from \$221,226,000 to \$600,540,000. This includes \$140,150,000 to \$335,252,000 that must be paid to the franchisor or its affiliate(s).~~ ~~Alternatively, if you are opening a new bridal boutique, the total investment necessary to begin operation ranges from \$630,000 to \$983,000. This includes \$293,000 to \$440,000 that must be paid to the franchisor or its affiliate(s).~~

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, us 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 availability of disclosures in different formats, contact our Franchise Administration department at True Society USA Inc., Attn: Franchise Administration, 15500 W 113th Street Lenexa, KS 66219 or at (913) 374 0278.

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

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

Issuance date: April 26, ~~2023~~[2024](#)

## How to Use This Franchise Disclosure Document

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

| <b>QUESTION</b>                                                                          | <b>WHERE TO FIND INFORMATION</b>                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | 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 F and G. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                         |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit C includes financial statements. Review these statements carefully.                                                                                                                                                                           |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                                     |
| <b>Will my business be the only Franchised Business in my area?</b>                      | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                                    |
| <b>Does the franchise have a troubled legal history?</b>                                 | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                             |
| <b>What else should I know?</b>                                                          | 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.

**Franchised 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 that franchise or has verified the information in this document. To find out if your state has registration requirements, or to contact your state, use the agency information in Exhibit A.

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



## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Kansas. 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 Kansas than in your own states.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into question the franchisor's ability to provide services and support to you.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
5. **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.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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### **Exhibits:**

- Exhibit A – List of State Administrators and List of Agents for Service of Process
- Exhibit B – Franchise Agreement
- Exhibit C – Financial Statements
- Exhibit D – State Specific Addenda
- Exhibit E – Operations Manual Table of Contents
- Exhibit F – List of Franchised Locations
- Exhibit G – List of Former Franchisees
- Exhibit H – Form of General Release
- Exhibit I – Receipts

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

To simplify the language of this Disclosure Document, the Franchisor, True Society USA Inc., is referred to in this Disclosure Document as “we,” “us” or “our.” We refer to the person interested in buying the franchise as “franchisee,” “you” or “your.” If you are a corporation, partnership, limited liability company or other entity, the terms “franchisee,” then the terms “you” and “your” also refer to your owners.

### **The Franchisor**

True Society USA Inc. is a corporation formed in the State of Kansas in February 2021. Our principal business address is at 15500 W 113th Street Lenexa, KS 66219, and our telephone number is (913) 374 0278. We only do business under our corporate name and TRUE SOCIETY™ name. We began offering True Society franchises in May 2021.

We offer franchises for the right to independently own and operate a franchised Boutique (each, a “Franchised Business”) that is authorized to promote, offer and provide (i) a proprietary and/or other branded lines of gowns, dresses and related formal wear that is primarily designed for clients that are either participating in weddings and/or related and comparable events, as well as any accessories and ancillary items we designate or approve (collectively, the “Approved Products”), and (ii) fitting and optional alteration services in connection with the Approved Products, as well as any other services that we designate or approve you to provide from or in connection with your Franchised Business (collectively, the “Approved Services”).

You will be required to purchase the Approved Products from a designated or approved supplier (each, an “Approved Supplier”) for any Approved Product inventory or other items you must (a) acquire and/or offer for retail sale at your Franchised Business, or (b) otherwise use in connection with the establishment or ongoing operation of your franchised Boutique.

As of December 31, 2023, there were four franchised Boutiques in the United States. True KC Brides Inc., our affiliate, operates two affiliate-owned Boutiques in the United States. True KC Brides Inc. is a corporation formed in Kansas in March 2021. This entity shares our principal place of business. The first affiliate-owned Boutique opened in January 2019.

We do not sell franchises in any other line of business and, except as provided in this Item, we are not otherwise engaged in any other business activity.

Our agents for service of process are listed in Exhibit A to this Disclosure Document.

### **Our Predecessors, Parents and Affiliates**

Our Parent, True Society AG (Switzerland), is a corporation formed under the laws of Switzerland in February 2021. Its principal place of business is Bahnhofstrasse 13, Zug, Switzerland.

Our affiliate, Essense of Australia Inc. (“EOA”) is a corporation formed under the laws of Nevada in July 2003. EOA shares our principal office address. EOA is our designated supplier for certain of the Approved Products that you are required to promote, offer and sell at your Franchised Business. Please note that we may require that any item or service you must acquire in connection with your Franchised Business from a source that we approve or designate (each, an “Approved Supplier”), which may include us, EOA and/or our other affiliates. EOA is an Approved Supplier of inventory and other items required to operate the Franchised Business, as further discussed in Item 8 of this Disclosure Document.

Our affiliates (True KC Brides Inc. and EOA) have not offered True Society franchises or any other franchises. Except as provided above, we have no predecessors, parents, or affiliates that require disclosure in this Item.

### The Franchised Business

The Franchised Business will feature a personal, relaxing, and comfortable environment where customers can (a) view, try on and purchase a wide array of Approved Products in the bridal gown and related formal wear space, including bridal accessories, and (b) request and receive personal fittings and related consultations regarding the Approved Products in light of the events that clientele is contemplating attending and, if appropriate, receive alteration services and any related Approved Services that we authorize in writing.

The Franchised Business must be operated utilizing our then-current Proprietary Marks and System we designate and may update from time to time as we determine appropriate and, as of the Issuance Date, pursuant to our current form of franchise agreement attached to this Disclosure Document as Exhibit B (the “Franchise Agreement”).

Our System is comprised of various proprietary and, in some cases, distinguishing elements such as: proprietary methodology and procedures for the establishment and operating procedures of the Franchised Business; standards and specifications for the purchase, storage and presentation of certain products; site selection guidelines and criteria, as applicable, for the Franchised Business; standards and specifications for the design, layout and construction of the interior and exterior of the Franchised Businesses; standards and specifications associated with the certain proprietary artwork, décor and trade dress of the Franchised Business, as well as the retail space from which branded merchandise can be sold; specific suppliers and providers of proprietary inventory to be sold at the Franchised Business; standards and specifications for the interior décor and other items located within the Franchised Business; established relationships with approved or designated suppliers for certain inventory and other supplies necessary to operate the Franchised Business; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Franchised Business. We may change, improve, further develop, or otherwise modify the System from time to time, as we deem appropriate at our sole discretion.

In the event a prospective franchisee has an existing bridal shop, boutique or similar retail space in the formalwear industry (each, an “Existing Business”) and wishes to convert that Existing Business to a System Boutique that operates under the Proprietary Marks and System standards and specifications, then we may award that third party the right to undergo such a conversion, as disclosed more fully below.

#### *Conversion from Existing Business to a System Boutique*

You must enter into a Franchise Agreement with us for your Franchised Business to convert an existing bridal gown store to a True Society Boutique (the “Converted Boutique”), as well as the Conversion Addendum (attached as an Exhibit to our current form of Franchise Agreement).

#### *Standard Franchise Offering for Right to Establish and Open a New Franchised Business*

If you are opening a True Society Boutique (the “New Boutique”), all products and services, including bridesmaid dresses and accessories, you offer have to be part of our Approved Products and Services and all products must be purchased from our designated Approved Suppliers.

## Market and Competition

As a general matter, the bridal industry is mature and highly competitive. Depending on your location, the sale of these Approved Products and Services is typically seasonal in nature, with winter months being the busiest. Your Franchised Business will primarily compete with other bridal Boutiques and large box retailers offering bridal gowns, bridesmaid gowns and bridal accessories. Your competitive advantage in the marketplace will be based on your adherence to our standards and guidelines, your entrepreneurial and managerial abilities, and focus on providing outstanding customer service.

## Industry-Specific Regulations

Your Franchised Business will be subject to specific federal, state, and local laws and regulations that relate to the specific industry and to businesses generally.

Also, depending on the laws and regulations of the state where your Franchised Business is located, you may have the ability to furnish complimentary alcohol and other beverages to your clientele or, if you obtain the appropriate licensing, sell these types of beverages from your location. However, offering and selling alcoholic beverages at your Franchised Business is not a requirement of our System and is not assumed as part of our standard franchise offering. The laws and regulations governing the furnishing of alcoholic beverages to customers vary dramatically from area to area, as does the cost, procedures, and other requirements for obtaining necessary licensing. In addition, state Dram Shop laws give rise to potential liability for injuries that are directly or indirectly related to the furnishing and consumption of alcohol. You may not furnish (complimentary or for sale) food or beverages of any kind to your customers without our express prior written approval. If we do approve, you must, at your own cost and expense, investigate any attendant legal obligations and assume all obligations for full compliance with the same.

Under the terms of the Franchise Agreement, you are responsible for compliance with laws and regulations that relate to the Franchised Business and you should investigate, satisfy and remain in compliance with all laws and regulations. You must consult with your own attorney to ensure that the laws of the state where your Franchised Business is located permits you to provide each of the Approved Products and Services from your Premises.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Martine Tracy Harris: Chief Executive Officer**

Ms. Harris has served as our Chief Executive Officer since our formation in February 2021 located in Lenexa, Kansas. She has been Chief Creative Officer of WM Bridal Group located in Zug, Switzerland since October 2012.

## **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this item.

## **ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

## ITEM 5. INITIAL FEES

### Amounts Due for New Boutique

| <u>Fee or Charge</u>                   | <u>Amount Due</u>             | <u>Party Paid To</u>      | <u>Remarks</u>                                                                                          |
|----------------------------------------|-------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------|
| <u>Initial Franchise Fee</u>           | <u>\$0 to \$30,000</u>        | <u>Us</u>                 |                                                                                                         |
| <u>Initial Inventory</u>               | <u>\$120,000 to \$180,000</u> | <u>EOA, our affiliate</u> | <u>Initial stock of dresses, gowns and other items</u>                                                  |
| <u>Marketing Plan</u>                  | <u>\$20,000 to \$30,000</u>   | <u>Us</u>                 | <u>For marketing plan to advertise and promote the Franchised Business.</u>                             |
| <u>Set Up Computer and POS Systems</u> | <u>\$10,000 to \$12,000</u>   | <u>Us (or affiliates)</u> | <u>For setting up POS environment, configurations, data loading and testing, and payment processing</u> |
| <u>Site Evaluation Fee</u>             | <u>\$3,000 to \$5,000</u>     | <u>Us</u>                 | <u>Due if we perform a site evaluation for the Franchised Business.</u>                                 |

### Amounts Due for Conversion Boutique

| <b>Fee or Charge</b>                | <b>Amount Due</b>                     | <b>Party Paid To</b>          | <b>Remarks</b>                                                                                                |
|-------------------------------------|---------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------|
| Initial Franchise Fee               | \$0 to \$30,000                       | Us                            | If the owner has no experience operating a similar retail business, we will charge the Initial Franchise Fee. |
| Initial Inventory                   | \$100,000 to <del>\$250</del> 180,000 | EOA, <u>our affiliate</u>     | Initial stock of dresses, gowns and other items                                                               |
| <del>Marketing Plan</del>           | <del>\$20,000 to \$30,000</del>       | <del>Us</del>                 | <del>For marketing plan to advertise and promote the Franchised Business.</del>                               |
| <del>Computer and POS Systems</del> | <del>\$20,000 to \$25,000</del>       | <del>Us (or affiliates)</del> |                                                                                                               |
| <del>Site Evaluation Fee</del>      | <del>\$0</del>                        | <del>Not applicable</del>     | <del>We do not charge this fee for conversion boutiques.</del>                                                |

***Amounts Due for New Boutique***

| <b>Fee or Charge</b>                   | <b>Amount Due</b>                                | <b>Party Paid To</b>                | <b>Remarks</b>                                                                                                                         |
|----------------------------------------|--------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Initial Franchise Fee                  | \$0 to \$30,000                                  | Us                                  |                                                                                                                                        |
| Initial Inventory                      | \$250,000 to \$350,000                           | EOA                                 | Initial stock of dresses, gowns and other items                                                                                        |
| Marketing Plan                         | \$20,000 to \$30,000                             | Us                                  | For marketing plan to advertise and promote the Franchised Business.                                                                   |
| <u>Set Up</u> Computer and POS Systems | <del>\$20</del> 10,000 to <del>\$25</del> 12,000 | Us (or affiliates)                  | <u>For setting up POS environment, configurations, data loading and testing, and payment processing</u>                                |
| Site Evaluation Fee                    | <del>\$3,000 to \$5,000</del> \$0                | <del>Us</del> <u>Not applicable</u> | <del>Due if we perform a site evaluation for the Franchised Business.</del> <u>We do not charge this fee for conversion boutiques.</u> |

All fees and expenses are due when you sign the Franchise Agreement or as otherwise requested by us. The fees and expenses above are not refundable and are fully earned when paid. These fees are uniform for all franchisees in the System. During our last fiscal year, we did not reduce or waive any fees noted above.

**ITEM 6. OTHER FEES**

| <b>TYPE OF FEE</b>                   | <b>AMOUNT</b>                                                      | <b>DUE DATE</b>                                                                                                                                                                                                                          | <b>REMARKS</b>                                                                                                                                                 |
|--------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty Fee                          | 3% of the Gross Revenue generated by your Franchised Business      | The tenth of every month or other day of the month we designate, based on the Gross Revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month (a "Business Month") | See Notes 1, 2 and 3.                                                                                                                                          |
| Marketing Fee paid to Marketing Fund | <del>3.5</del> 4% of the Gross Revenue of your Franchised Business | The tenth of every month or other day of the month we designate, based on the Gross Revenue generated in the                                                                                                                             | Your Marketing Fee obligations will commence on the date you open and commence operating your Franchised Business. We (or our designee) will use the marketing |

| TYPE OF FEE                                | AMOUNT                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | DUE DATE                                                                                                                    | REMARKS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | prior business month commencing on the first day of the month and ending on the last day of that month (a “Business Month”) | fees collected to conduct certain digital marketing management and placement services that are provided on an ongoing basis on behalf of franchisees and the System generally. We have no obligation to spend this amount for your Franchised Business directly. We can increase Marketing Fee. See Notes 1, 2 and 3.                                                                                                                                                                                                                                                                                                                                                                                       |
| Technology Fee                             | Then-current fee                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Upon demand                                                                                                                 | For certain aspects of Franchisee’s Computer System and/or software                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <a href="#">Inventory Purchases</a>        | <a href="#">Varies, then-current invoiced amounts</a>                                                                                                                                                                                                                                                                                                                                                                                                                     | <a href="#">As arranged with EOA, our affiliate</a>                                                                         | <a href="#">You must purchase inventory of dresses from EOA including dresses, gowns and other items</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Computer System and Required Software Fees | <p>Then-current fee charged by our Approved Suppliers for the ongoing license or support provided in connection with a given component of the point-of-sale (“POS”) system and other computer system hardware and/or software we require you to use in connection with your Franchised Business.</p> <p>Currently, the ongoing monthly fee for systems we require you use in connection with your Franchised Business is <del>\$1,800</del><a href="#">795</a>/month.</p> | Monthly                                                                                                                     | <p>You must use any and all software that we designate (collectively, the “Required Software”) in connection with your Franchised Business, and we may require that you use one (1) or more Approved Supplier(s) (which may be us or an affiliate) to initially set up and/or license such Required Software.</p> <p>You are required to pay all of this fee to us.</p> <p>We reserve the right to increase these fees or require you to pay other amounts for technology solutions; provided that we will not increase each stated amount by more than 5% each year and we may charge an additional \$10,000 per year (above the fees noted in this Section) for existing or new technology solutions.</p> |
| Renewal Fee                                | \$3,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Upon signing new franchise agreement or submitting your request for renewal.                                                | <p>There are other conditions that you must meet for us to approve your renewal request.</p> <p>This amount will help defray certain costs we incur in connection with your renewal. This does not include any refresher training we might require you to complete as a condition to your renewal.</p>                                                                                                                                                                                                                                                                                                                                                                                                      |



| TYPE OF FEE                                 | AMOUNT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | DUE DATE                           | REMARKS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assignment Fee                              | \$1,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Prior to the time of the transfer. | There are other conditions that you and the proposed transferee must meet for us to approve any proposed transfer/assignment, and you and/or your assignee will be solely responsible for any third-party broker costs associated with any assignment you propose.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Training Fee(s)                             | <p>Currently, we do not charge a training fee if you are converting to a True Society Boutique. However, we reserve the right to do so in the future.</p> <p>Alternately, if you are opening a new Boutique, you will be charged our then-current training fee, which may vary based on the kind of training being provided.</p> <p>Our current Training Fees are as follows:</p> <p>\$1,000 per individual that attends our Initial Training Program (you, your Designated Manager or replacement manager);</p> <p>And</p> <p>\$500/day per trainer for all other training for which we reserve the right to charge a fee.</p> | Before initial training begins.    | <p>Initial training will be required for you and your Designated Manager prior to conversion or opening. We may conduct additional training for other employees at franchisee's cost.</p> <p>We reserve the right to charge our then-current additional training fees in the following circumstances: (i) any additional training you request that we provide to you (whether on-site or at our corporate training location once initial training is completed; (ii) for any replacement personnel or replacement training is needed; and (iii) in the event we require you to attend and/or otherwise complete training as condition to curing an existing or prior breach under your Franchise Agreement with us.</p> <p>You will also be responsible for any costs and expenses that you and/or your owners and other trainees associated with attending or otherwise participating in any training we require in connection with the Franchised Business, regardless of whether or not we collect any kind of training fee.</p> |
| Fee(s) Related to Non-Approved Products and | \$500 per day as penalty if selling items that (a) are not part of the Approved Products, or (b) were sourced from a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | As incurred                        | Penalty is payable to us if you promote, offer or sell any items at or through the Franchised Business that are part of then-current Approved Products (as set forth in                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

| TYPE OF FEE              | AMOUNT                                                                                                                                                                                                                                                                                                                                           | DUE DATE                  | REMARKS                                                                                                                                                                                                                      |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alternate Suppliers      | different supplier than the designated Approved Supplier for that item.<br><br>We also reserve the right to charge an evaluation fee amounting to \$500 in connection with any proposal you submit to us to (a) offer a non-Approved Product, or (b) purchase any item that must be purchased from an Approved Supplier from an alternate source |                           | the Manuals or otherwise in writing by us).                                                                                                                                                                                  |
| Audit Costs              | Actual costs of audit.                                                                                                                                                                                                                                                                                                                           | Upon receipt of bill.     | Payable if audit reveals that you have underreported the Gross Revenue of your Franchised Business by three percent (3%) or more for any designated reporting period. See Note 4.                                            |
| Late Payment             | \$500 per incident per month that amount remains unpaid plus interest amounting to the greater of (a) <del>two</del> <u>one and a half</u> percent (1.5%) per month, or (b) highest commercial rate permitted under applicable law.                                                                                                              | When payment is past due. | Payable in addition to other payments to us and the past due amount owed.                                                                                                                                                    |
| Non-Sufficient Funds Fee | \$500 per incident                                                                                                                                                                                                                                                                                                                               | Upon demand.              | Payable if a check you provide to us is returned or dishonored by the bank, or if your EFT Account does not have sufficient funds to cover amounts you owe under the Franchise Agreement as they become due and owing to us. |
| Relocation Fee           | Reimbursement of actual costs and expenses in evaluating your relocation                                                                                                                                                                                                                                                                         | Upon relocation.          | The right to reimbursement is in addition to all other rights that we have under the Franchise Agreement if you are required to relocate your Franchised Business due to your default under your lease                       |

| TYPE OF FEE                                  | AMOUNT                                                                                                                                                                                                           | DUE DATE       | REMARKS                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                              |                                                                                                                                                                                                                  |                | or other reason that was within your control.                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Legal Costs (including court-related costs)  | Reimbursement of our actual fees and costs.                                                                                                                                                                      | As incurred.   | You must reimburse us for our attorneys' fees and any court costs that we are forced to incur in connection with enforcing or protecting our rights under your Franchise Agreement, including the costs associated with a collection action for amounts that are past due.                                                                                                                                                                                        |
| Indemnification                              | Actual costs of indemnification.                                                                                                                                                                                 | When incurred. | You must reimburse us for our attorneys' fees and other costs that we incur in connection with any third-party claims brought against us that arise out of, or are related to, the operation of your Franchised Business.                                                                                                                                                                                                                                         |
| Insurance                                    | Will vary according to circumstance.                                                                                                                                                                             | Upon demand.   | If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you for our cost to do so, in which case we also reserve the right to charge an administrative fee of fifteen percent (15%) of the cost we expend on your behalf. Otherwise, these payments are made directly to your third-party insurance provider.                                                                           |
| Management Fee                               | Up to 8% of the Gross Revenue of the Franchised Business over the time period that we operate the Franchised Business on your behalf, plus the costs/expenses we incur in connection with taking over operations | When incurred. | The Management Fee will only be due to us if (a) you are in material default under your Franchise Agreement or become disabled/incapacitated/absent (and unable to perform as the "Franchisee" under your Franchise Agreement), and (b) we exercise our right to temporarily operate your Franchised Business in an effort to assist in getting the operations of the Franchised Business back into compliance with the Franchise Agreement and System standards. |
| Post-Termination or Post-Expiration Expenses | Our actual cost                                                                                                                                                                                                  | As incurred.   | Upon termination, expiration, non-renewal, and/or transfer of the Franchise Agreement, you are responsible for the costs associated with de-identifying yourself and                                                                                                                                                                                                                                                                                              |

| TYPE OF FEE           | AMOUNT             | DUE DATE    | REMARKS                                                                                                                                                                                                          |
|-----------------------|--------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       |                    |             | your Franchised Business from the System. Additionally, we may elect to take steps to modify, alter or de-identify your Franchised Business. If we do so, you must also reimburse us for our costs and expenses. |
| Advertising Materials | Then-current costs | Upon demand | If you purchase advertising materials from us, you must pay for them.                                                                                                                                            |

### **Explanatory Notes**

**General.** The table above provides recurring or isolated fees or payments that you must pay to us or our affiliates or that we or our affiliates impose or collect in whole or in part on behalf of a third party or that you are required to spend by the Franchise Agreement. All fees and expenses described in this Item 6 are nonrefundable. Except as otherwise indicated in the chart above, we uniformly impose all fees and expenses listed and they are payable to us and are fully earned upon receipt by us.

1. **Collection of Fees.** Any fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
2. **Collection Interval.** We reserve the right to change the interval at which we collect your Marketing Fee, and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a weekly rather than a monthly basis. Regardless, you are required to provide us with a monthly Gross Revenue report detailing your Gross Revenue from the preceding Business Month, along with your calculated fees due and other information that we reasonably require (the “Gross Revenue Report”) on the tenth of each month. We may also require you to use a Systems Hardware and Software and/or related software that provide us with automatic access to such Gross Revenue Reports.
3. **Definition of Gross Revenue.** “Gross Revenue” means the total revenue generated by your Franchised Business, including all revenue generated from the redemption of any and all gift cards and other Approved Products and/or Services at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Revenue” does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto or (b) the value of any allowance issued or granted to any customer of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.

4. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Revenue by three percent (3%) or more, then we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.
5. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### ~~YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>~~

#### ~~CONVERSION BOUTIQUE~~

| TYPE OF EXPENDITURE                    | AMOUNT LOW | AMOUNT HIGH | METHOD OF PAYMENT | WHEN DUE                               | TO WHOM PAYMENT IS TO BE MADE |
|----------------------------------------|------------|-------------|-------------------|----------------------------------------|-------------------------------|
| Initial Franchise Fee                  | \$0        | \$30,000    | As Arranged       | When the Franchise Agreement is signed | Us                            |
| Rent (3 Months) and Security Deposit*  | \$0        | \$0         | As arranged       | As arranged                            | Landlord                      |
| Utility Deposit*                       | \$0        | \$0         | As arranged       | As arranged                            | Third Party Suppliers         |
| Design and Architect Fees <sup>2</sup> | \$10,000   | \$15,000    | As arranged       | As arranged                            | Designer or Architect         |
| Leasehold Improvements <sup>3</sup>    | \$50,000   | \$200,000   | As arranged       | As arranged                            | Contractor                    |
| Signage <sup>4</sup>                   | \$5,000    | \$10,000    | As arranged       | As arranged                            | Suppliers                     |
| Equipment and Supplies <sup>5</sup>    | \$3,000    | \$5,000     | As arranged       | As arranged                            | Suppliers                     |
| Grand Opening Marketing                | \$20,000   | \$30,000    | As arranged       | As arranged                            | Us                            |
| Initial Inventory Package <sup>6</sup> | \$100,000  | \$250,000   | As arranged       | Prior to Opening                       | Our Affiliate, EOA            |

| TYPE OF EXPENDITURE                                                          | AMOUNT LOW       | AMOUNT HIGH      | METHOD OF PAYMENT | WHEN DUE      | TO WHOM PAYMENT IS TO BE MADE |
|------------------------------------------------------------------------------|------------------|------------------|-------------------|---------------|-------------------------------|
| Point of Sale and Computer Equipment, Internet, Phone, Security <sup>7</sup> | \$20,000         | \$25,000         | As arranged       | As arranged   | Us                            |
| Business Licenses, Permits and Professional Fees <sup>8</sup>                | \$0              | \$0              | As arranged       | As arranged   | Government agencies           |
| Insurance <sup>*</sup>                                                       | \$0              | \$0              | Lump Sum          | As arranged   | Insurance companies           |
| Training Expenses <sup>7</sup>                                               | \$3,000          | \$10,000         | As arranged       | As arranged   | Airline, Hotel, Etc.          |
| Site Evaluation <sup>8</sup>                                                 | \$0              | \$0              | As arranged       | When incurred | Us                            |
| Additional Funds — 3 Months <sup>8</sup>                                     | \$10,000         | \$25,000         | As arranged       | As arranged   | You determine                 |
| <b>TOTAL<sup>8</sup></b>                                                     | <b>\$221,000</b> | <b>\$600,000</b> |                   |               |                               |

### Explanatory Notes

Note \*: We do not anticipate any additional costs incurred on an initial or ongoing basis that are in excess of what is already being expended in connection with a Converted Boutique. The estimates are for a boutique with between 5,500 to 10,000 square feet.

Note 1: ~~General.~~ Unless negotiated with a third party, non-affiliated supplier, all payments disclosed in this Item are generally non-refundable.

Note 2: ~~Design & Architect Fees.~~ You must obtain construction plans for the build-out of your Premises according to our specifications. We reserve the right to designate and/or approve of the designer and/or architect you use.

Note 3: ~~Leasehold Improvements.~~ The cost of leasehold improvements will vary depending on many factors, including: (i) the size and configuration of the Premises; (ii) pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your location. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord-tenant improvement contributions, and the condition of the space before you take possession of the Premises. The low end of our estimate assumes

~~that you have leased space that previously operated as a retail clothing Boutique and that you will convert to a Franchised Business. The high end of our estimate assumes that you have leased a “vanilla box” space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.~~

~~Note 4: *Signage*. These amounts represent your cost for interior and exterior signage and interior graphics. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.~~

~~Note 5: *Equipment and Supplies*. This is a range of expenses that will be incurred to obtain the various equipment and supplies you will need to set up your office. The low end of this range assumes that you own the specified equipment and the high end of this range assumes that you will need to purchase all of the specified equipment.~~

~~Note 6: *Initial Inventory Package*. The typical for sale items held in opening inventory are the bridal gowns, bridesmaid gowns, and bridal accessories that you will be permitted to sell at your Boutique.~~

~~Note 7: *Systems Hardware and Software*. You must purchase or lease the point of sale and computer system that we designate. Additional information regarding the required point of sale and computer system is included in Item 11.~~

~~Note 8: *Total*. We relied upon the experience of our affiliates and parents when preparing these figures. Your actual costs may vary and will depend on factors such as the size and condition of the space and cost to convert to a True Society Boutique, your management skill, experience and business acumen; local economic conditions; the local market for the True Society products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service. These are only estimates and your costs may vary based on actual prices in your area, and other site-specific requirements or regulations.~~

## NEW BOUTIQUE

| TYPE OF EXPENDITURE                               | AMOUNT LOW                     | AMOUNT HIGH                    | METHOD OF PAYMENT | WHEN DUE                               | TO WHOM PAYMENT IS TO BE MADE |
|---------------------------------------------------|--------------------------------|--------------------------------|-------------------|----------------------------------------|-------------------------------|
| Initial Franchise Fee                             | \$0                            | \$30,000                       | As Arranged       | When the Franchise Agreement is signed | Us                            |
| Rent (3 Months) and Security Deposit <sup>2</sup> | \$30,000                       | \$50,000                       | As arranged       | As arranged                            | Landlord                      |
| Utility Deposit <sup>3</sup>                      | \$500                          | \$3,000                        | As arranged       | As arranged                            | Third Party Suppliers         |
| Design and Architect Fees <sup>4</sup>            | <del>\$25</del> <u>10</u> ,000 | <del>\$40</del> <u>25</u> ,000 | As arranged       | As arranged                            | Designer or Architect         |

| TYPE OF EXPENDITURE                                                          | AMOUNT LOW                       | AMOUNT HIGH                      | METHOD OF PAYMENT | WHEN DUE         | TO WHOM PAYMENT IS TO BE MADE |
|------------------------------------------------------------------------------|----------------------------------|----------------------------------|-------------------|------------------|-------------------------------|
| Leasehold Improvements <sup>5</sup>                                          | \$250,000                        | <del>\$375</del> <u>50</u> ,000  | As arranged       | As arranged      | Contractor                    |
| Signage <sup>6</sup>                                                         | \$5,000                          | \$10,000                         | As arranged       | As arranged      | Suppliers                     |
| Equipment and Supplies <sup>7</sup>                                          | \$5,000                          | \$15,000                         | As arranged       | As arranged      | Suppliers                     |
| Grand Opening Marketing                                                      | \$20,000                         | \$30,000                         | As arranged       | As arranged      | Us                            |
| Initial Inventory Package <sup>8</sup>                                       | <del>\$125</del> <u>0</u> ,000   | <del>\$350</del> <u>180</u> ,000 | As arranged       | Prior to Opening | Our Affiliate, EOA            |
| Point of Sale and Computer Equipment, Internet, Phone, Security <sup>9</sup> | <del>\$20</del> <u>25</u> ,000   | <del>\$25</del> <u>35</u> ,000   | As arranged       | As arranged      | <u>Vendors</u> , Us           |
| Business Licenses, Permits and Professional Fees <sup>10</sup>               | \$5,000                          | \$10,000                         | As arranged       | As arranged      | Government agencies           |
| Insurance <sup>11</sup>                                                      | \$1,500                          | \$5,000                          | Lump Sum          | As arranged      | Insurance companies           |
| Training Expenses <sup>12</sup>                                              | \$5,000                          | \$10,000                         | As arranged       | As arranged      | Airline, Hotel, Etc.          |
| Site Evaluation <sup>13</sup>                                                | \$3,000                          | \$5,000                          | As arranged       | When incurred    | Us                            |
| Additional Funds – 3 Months <sup>14</sup>                                    | <del>\$10</del> <u>30</u> ,000   | <del>\$25</del> <u>50</u> ,000   | As arranged       | As arranged      | You determine                 |
| TOTAL <sup>15</sup>                                                          | <del>\$630</del> <u>510</u> ,000 | <del>\$983</del> <u>808</u> ,000 |                   |                  |                               |

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment. All of our estimates assume that you will purchase the required items. Your costs may be lower if you choose to lease some items. The estimates are for a boutique with between ~~5,500~~0 to ~~109~~9,000 square feet.



## **Explanatory Notes**

Note 1: *General.* Unless negotiated with a third-party, non-affiliated supplier, all payments disclosed in this Item are generally non-refundable.

Note 2: *Rent (3 Months) and Security Deposit.* Our estimates assume that you will lease space for your Franchised Business and that your Landlord will require 3-months' rent when you execute a lease (the "Lease"). Your Franchised Business will need to be approximately ~~5,500~~ ~~—10,000~~ to 9,000 square feet and be able to accommodate a minimum of 125 linear feet of rack space. Landlords may vary the base rental rate and charge rent based on a percentage of Gross Revenue. In addition to base rent, your Lease may require you to pay common area maintenance charges ("CAM Charges") for your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the Lease will vary depending on the size of the space, the types of charges that are allocated to tenants under the Lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region. In addition to your rent deposit, your Landlord may require one to two months of rent as a security deposit.

If you choose to purchase real property on which to build your Franchised Business, your initial investment will probably be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

Note 3: *Utility Deposits.* You may need to provide security deposits for your utilities (such as gas, water and/or electric).

Note 4: *Design & Architect Fees.* You must obtain construction plans for the build-out of your Premises according to our specifications. We reserve the right to designate and/or approve of the designer and/or architect you use.

Note 5: *Leasehold Improvements.* The cost of leasehold improvements will vary depending on many factors, including: (i) the size and configuration of the Premises; (ii) pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your location. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord tenant improvement contributions, and the condition of the space before you take possession of the Premises. The low end of our estimate assumes that you have leased space that previously operated as a retail clothing Boutique and that you will convert to a Franchised Business. The high end of our estimate assumes that you have leased a "vanilla box" space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.

Note 6: *Signage.* These amounts represent your cost for interior and exterior signage and interior graphics. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

Note 7: *Equipment and Supplies.* This is a range of expenses that will be incurred to obtain the various equipment and supplies you will need to set up your office. The low end of this range assumes that you own the specified equipment and the high end of this range assumes that you will need to purchase all of the specified equipment.

Note 8: *Initial Inventory Package.* The typical for-sale items held in opening inventory are the bridal gowns, bridesmaid gowns, and bridal accessories that you will be permitted to sell at your Boutique.

Note 9: *Systems Hardware and Software*. You must purchase or lease the point of sale and computer system that we designate. Additional information regarding the required point of sale and computer system is included in Item 11. [You pay us a portion of the amount for set up of the systems.](#)

Note 10: *Business Licenses and Permits*. These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year as well as certain professional fees you may incur. These figures do not include occupancy and construction permits which are included in the leasehold improvements estimate. The cost of these permits and licenses will vary substantially depending on the location of the Franchised Business. We strongly recommend that you verify the cost for all licenses and permits required in your jurisdiction before signing the Franchise Agreement. We strongly recommend that you engage an accountant and a franchise attorney to advise you in your evaluation of the franchise we are offering this estimate includes the cost to do so.

Note 11: *Insurance*. These figures are estimates of the cost of the premiums for the insurance you must obtain and maintain for your Franchised Business, as described in Item 8. Insurance premiums may be payable monthly, quarterly, semi-annually, or annually, based on the insurance company's practices and your creditworthiness.

Note 12: *Training Expenses*. We provide initial training for up to four (4) people at no additional charge. These estimates include only your out-of-pocket costs associated with attending our initial training program (the "Initial Training Program"), including travel, lodging, meals, and applicable wages. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

Note 13: *Site Evaluation*. If you are opening a new Boutique, and in the event that we determine an on-site evaluation is necessary, we reserve the right to require you to reimburse us for the expenses incurred in connection with such an evaluation.

Note 14: *Additional Funds*. You will need capital to support ongoing expenses, such as payroll, utilities, rent, product purchases, and advertising and marketing costs, if these costs are not covered by sales revenue for your first three months of operation. Our estimate does not include any sales revenue you may generate. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate and there is no guarantee that additional working capital will not be necessary during this start-up phase or after.

Note 15: *Total*. We relied upon the experience of our affiliates and parents when preparing these figures. Your actual costs may vary and will depend on factors such as the size and condition of the space and cost to convert to a True Society Boutique, your management skill, experience and business acumen; local economic conditions; the local market for the True Society products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service. These are only estimates and your costs may vary based on actual prices in your area, and other site-specific requirements or regulations.

**YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**  
**CONVERSION BOUTIQUE**

| <u>TYPE OF EXPENDITURE</u>                                                         | <u>AMOUNT LOW</u> | <u>AMOUNT HIGH</u> | <u>METHOD OF PAYMENT</u> | <u>WHEN DUE</u>                               | <u>TO WHOM PAYMENT IS TO BE MADE</u> |
|------------------------------------------------------------------------------------|-------------------|--------------------|--------------------------|-----------------------------------------------|--------------------------------------|
| <u>Initial Franchise Fee</u>                                                       | <u>\$0</u>        | <u>\$30,000</u>    | <u>As Arranged</u>       | <u>When the Franchise Agreement is signed</u> | <u>Us</u>                            |
| <u>Rent (3 Months) and Security Deposit*</u>                                       | <u>\$0</u>        | <u>\$0</u>         | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Landlord</u>                      |
| <u>Utility Deposit*</u>                                                            | <u>\$0</u>        | <u>\$0</u>         | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Third Party Suppliers</u>         |
| <u>Design and Architect Fees<sup>2</sup></u>                                       | <u>\$10,000</u>   | <u>\$15,000</u>    | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Designer or Architect</u>         |
| <u>Leasehold Improvements<sup>3</sup></u>                                          | <u>\$50,000</u>   | <u>\$200,000</u>   | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Contractor</u>                    |
| <u>Signage<sup>4</sup></u>                                                         | <u>\$5,000</u>    | <u>\$10,000</u>    | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Suppliers</u>                     |
| <u>Equipment and Supplies<sup>5</sup></u>                                          | <u>\$3,000</u>    | <u>\$5,000</u>     | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Suppliers</u>                     |
| <u>Grand Opening Marketing</u>                                                     | <u>\$20,000</u>   | <u>\$30,000</u>    | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Us</u>                            |
| <u>Initial Inventory Package<sup>6</sup></u>                                       | <u>\$100,000</u>  | <u>\$180,000</u>   | <u>As arranged</u>       | <u>Prior to Opening</u>                       | <u>Our Affiliate, EOA</u>            |
| <u>Point of Sale and Computer Equipment, Internet, Phone, Security<sup>7</sup></u> | <u>\$25,000</u>   | <u>\$35,000</u>    | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Suppliers, Us</u>                 |
| <u>Business Licenses, Permits and Professional Fees*</u>                           | <u>\$0</u>        | <u>\$0</u>         | <u>As arranged</u>       | <u>As arranged</u>                            | <u>Government agencies</u>           |
| <u>Insurance*</u>                                                                  | <u>\$0</u>        | <u>\$0</u>         | <u>Lump Sum</u>          | <u>As arranged</u>                            | <u>Insurance companies</u>           |

| <u>TYPE OF EXPENDITURE</u>           | <u>AMOUNT LOW</u> | <u>AMOUNT HIGH</u> | <u>METHOD OF PAYMENT</u> | <u>WHEN DUE</u>      | <u>TO WHOM PAYMENT IS TO BE MADE</u> |
|--------------------------------------|-------------------|--------------------|--------------------------|----------------------|--------------------------------------|
| <u>Training Expenses<sup>7</sup></u> | <u>\$3,000</u>    | <u>\$10,000</u>    | <u>As arranged</u>       | <u>As arranged</u>   | <u>Airline, Hotel, Etc.</u>          |
| <u>Site Evaluation*</u>              | <u>\$0</u>        | <u>\$0</u>         | <u>As arranged</u>       | <u>When incurred</u> | <u>Us</u>                            |
| <u>Additional Funds – 3 Months*</u>  | <u>\$10,000</u>   | <u>\$25,000</u>    | <u>As arranged</u>       | <u>As arranged</u>   | <u>You determine</u>                 |
| <u>TOTAL<sup>8</sup></u>             | <u>\$226,000</u>  | <u>\$540,000</u>   |                          |                      |                                      |

### Explanatory Notes

Note \*: We do not anticipate any additional costs incurred on an initial or ongoing basis that are in excess of what is already being expended in connection with a Converted Boutique. The estimates are for a boutique with between 5,000 to 9,000 square feet.

Note 1: General. Unless negotiated with a third-party, non-affiliated supplier, all payments disclosed in this Item are generally non-refundable.

Note 2: Design & Architect Fees. You must obtain construction plans for the build-out of your Premises according to our specifications. We reserve the right to designate and/or approve of the designer and/or architect you use.

Note 3: Leasehold Improvements. The cost of leasehold improvements will vary depending on many factors, including: (i) the size and configuration of the Premises; (ii) pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your location. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord tenant improvement contributions, and the condition of the space before you take possession of the Premises. The low end of our estimate assumes that you have leased space that previously operated as a retail clothing Boutique and that you will convert to a Franchised Business. The high end of our estimate assumes that you have leased a “vanilla box” space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.

Note 4: Signage. These amounts represent your cost for interior and exterior signage and interior graphics. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

Note 5: Equipment and Supplies. This is a range of expenses that will be incurred to obtain the various equipment and supplies you will need to set up your office. The low end of this range assumes that you

own the specified equipment and the high end of this range assumes that you will need to purchase all of the specified equipment.

Note 6: *Initial Inventory Package.* The typical for-sale items held in opening inventory are the bridal gowns, bridesmaid gowns, and bridal accessories that you will be permitted to sell at your Boutique.

Note 7: *Systems Hardware and Software.* You must purchase or lease the point of sale and computer system that we designate. Additional information regarding the required point of sale and computer system is included in Item 11. You pay us a portion of the amount for set up of the systems.

Note 8: *Total.* We relied upon the experience of our affiliates and parents when preparing these figures. Your actual costs may vary and will depend on factors such as the size and condition of the space and cost to convert to a True Society Boutique, your management skill, experience and business acumen; local economic conditions; the local market for the True Society products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service. These are only estimates and your costs may vary based on actual prices in your area, and other site-specific requirements or regulations.

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

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential manuals (collectively, the “Manuals”) and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

### Approved Products and Services

You may only market, offer, sell and provide True Society branded gowns and other Approved Products and Services we designate at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products and Services, along with their standards, processes and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item 8.

### Approved Suppliers

We have the right to require you to purchase any products, services and other items necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate. We may develop proprietary products for use in your Franchised Business, including private-label products that bear the Intellectual Property, and we may require you to purchase these items from us or our affiliate(s).

Our affiliate, EOA is an Approved Supplier for the Franchised Business and will supply inventory including bridal gowns, bridesmaid gowns, bridal accessories and other related items. During our fiscal year ended December 31, 2023, EOA collected \$3,814,548~~2,538,534.38~~ from franchisees for these items. We also reserve the right to derive revenue from any of the purchases our System franchisees are required to make in connection with the Franchised Business. However, we did not received any revenue in the last fiscal year. No officer listed in Item 2 has an ownership interest in the suppliers.

We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

You must offer products and services in the manner we prescribe, provide quality customer service, and otherwise operate your Franchised Business in a manner which will enhance the image intended by us for the System. You must at all times maintain sufficient levels of inventory ("Minimum Stock Level") to adequately meet consumer demand. We reserve the right to formulate and modify our standards and specifications for operating a Franchised Business based upon the collective experience of our principals. Our System standards and specifications are described in the Franchise Agreement, the Manuals, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the Franchised Business by written notice to you or through changes in the Manuals. You may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement.

For Conversion Boutiques, we will review all the products and services you offer in accordance with our then-current methodology and procedures. We have sole discretion whether or not these products and services will be approved or disapproved. If they are approved, they will be subsequently included in the Approved Products and Services list, but will however be subject to modifications as we deem appropriate. Note that the review of products and services will be done on a case-to-case basis. Approval of a product or service for a specific Boutique does not mean that the same product or service will be approved for other boutique locations.

#### Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from us or an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 35% to 50% of your total costs incurred in establishing your Franchised Business, and approximately 40% to 50% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

#### Alternative Product and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services ("Alternative Product"); or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier ("Alternative Supplier").

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the Alternative Product or Service in connection with your Franchised Business; or (ii) purchasing from an Alternative Supplier. You must reimburse us for the costs we incur in processing the



request and testing the item. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies, or supplier meets our specifications and quality standards. In evaluating an Alternative Supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any Alternate Supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect an Alternate Supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within ten (10) business days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the Alternative Product and/or Supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

#### Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System.

We have negotiated certain purchase arrangements with our Approved Suppliers. We may establish further strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Franchised Businesses in our System. We may: (i) limit the number of Approved Suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliates (if and when formed) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may also negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services, and other items at a price that will benefit us and our franchisees. We and our affiliates did not receive any rebates, commissions or allowances during the last fiscal year.

#### Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

## Advertising

You must participate in all advertising and sales promotions we design to promote and enhance the collective success of all Franchised Businesses operating under the System. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by us will be final and binding upon you. We may also request that you purchase and/or make copies of (at your expense) and subsequently use certain other advertising or promotional materials that we designate for use in connection with the Franchised Business.

You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Franchised Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use. We may revoke our approval of any previously approved advertising materials upon notice to you. We reserve the right to require you to include certain language on all advertising to be used locally by you, including the phrase “Franchises Available” and references to our telephone number and/or website.

## Premises and Lease

If you are opening a New Boutique, you must obtain our approval of the Premises for your Franchised Business before you acquire the site. We may condition our approval of any such location on you and your landlord’s execution of our prescribed form of Collateral Assignment of Lease (attached as an Exhibit to our current form of Franchise Agreement).

We may have an Approved Supplier for site selection that we recommend to you. As of the Issuance Date, however, we do not require that you use this supplier (but reserve the right to do so).

Regardless of whether you are awarded a franchise for the right to operate a Converted Boutique or a New Boutique, you must also ensure that you comply with all of our System standards and specifications related to the fit out, build-out, remodeling and/or construction of your Franchised Business at the Premises.

## Insurance

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, which we may modify from time to time as we deem appropriate in our reasonable discretion. We may designate an Approved Supplier for all or certain insurance coverages you must acquire and maintain in connection with your Franchised Business operations and ownership, and you must always furnish us with certificates of insurance (or, at our request, copies of all insurance policies), evidencing the existence and continuation of the insurance coverage required in the Franchise Agreement, which we may update and modify via the Manuals or otherwise. All policies must contain a waiver of subrogation in our favor and must name us and any additional parties we designate as additional insureds (except with regards to workers’ compensation insurance).

## Systems Hardware and Software

You must lease or purchase the computer hardware and software necessary to operate the POS System from our Approved Supplier (which may be us or an affiliate) and use in connection with your Franchised Business. You may be required to process credit cards through a supplier or vendor we may designate. You must comply with all data and customer protection laws, including the Payment Card Industry (“PCI”) Data Security Standard and maintain PCI compliance throughout the term of your Franchise Agreement.



You must pay the monthly and initial fees associated with our current POS System and will be responsible for the costs of maintaining the computer hardware and software used in connection with your Franchised Business (collectively, the “Systems Hardware and Software”).

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. We may require you to purchase any of these items from one of our Approved Suppliers. Your Systems Hardware and Software must have network access through a wireless provider. We may require you to purchase any of these items from one of our Approved Suppliers.

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

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

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

| <b>OBLIGATION</b>               | <b>SECTION IN FRANCHISE AGREEMENT</b> | <b>DISCLOSURE DOCUMENT ITEM</b> |
|---------------------------------|---------------------------------------|---------------------------------|
| s. Inspections and audits       | Section 5 and 10                      | Item 6                          |
| t. Transfer                     | Section 13                            | Item 17                         |
| u. Renewal                      | Section 3                             | Item 17                         |
| v. Post-termination obligations | Sections 14(B) and 16                 | Item 17                         |
| w. Non-competition covenants    | Section 14                            | Item 17                         |
| x. Dispute resolution           | Sections 19 and 21                    | Items 6 and 17                  |

## **ITEM 10. FINANCING**

We do not offer direct or indirect financing, nor do we guarantee your note, lease or obligation.

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

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

### **A. Pre-Opening Obligations**

Prior to the conversion or opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. If you are operating a New Boutique, we will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for Franchised Business. (Franchise Agreement, Sections 2(B) and 5(F));

2. Once you secure Premises that we approve for a Franchised Business (applicable to both New Boutique and Converted Boutique), we will define your Territory for that Franchised Business and include its boundaries in a Data Sheet attached as Exhibit A to your Franchise Agreement. (Franchise Agreement, Section 2(D));

3. We will provide you with access to, or otherwise loan you, one (1) copy of our confidential and proprietary Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. The Manuals may be amended or modified by us to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website, and any intranet or extranet that we establish in connection with the System. The table of contents for our Manuals as of the Issuance Date of this Disclosure Document is attached to this Disclosure Document as Exhibit E ~~and is a~~ The Manuals total ~~of~~ approximately 880,990 pages. Please note, however, that certain portions of the Manuals may be provided and updated online via a System website or other portal that our System franchisees must ensure they regularly access to ensure they are receiving all such updates. You will be solely responsible for ensuring compliance with these “online” portions of the Manuals as well. (Franchise Agreement, Section 5(E));

4. We will provide you with a list of our Required Purchases and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(E));

5. We will review and approve your signage, the proposed layout and design of your Premises – whether prepared by a contractor we approve or our Approved Supplier (if and when we designate one) – as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 6(D)); and

6. We will provide you and up to four (4) additional individuals you designate with the portion of our Initial Training Program that we currently conduct at our corporate headquarters, in Lenexa, KS or other facility that we designate. You may also have additional personnel attend the Initial Training Program at your expense.

- a. We estimate this portion of the Initial Training Program will typically take approximately two (2) weeks to complete. We reserve the right to designate an alternative location to conduct this portion of the Initial Training Program, as well as any other corporate training, upon notice.
- b. We may permit or require that you, and the individuals you designate to attend the Initial Training Program, respectively, attend all or certain components of the Initial Training Program that are designed to cover the areas of instruction that are more specific to the roles and corresponding responsibilities you have identified for these individuals.
- c. If you have appointed a manager to run the day-to-day operations of the Franchised Business (the “Designated Manager”), then this Designated Manager must also attend and complete the Initial Training Program. (Franchise Agreement, Sections 5(A) and 6(N)).
- d. You are also solely responsible for all costs and expenses you (and all other attendees) incur in connection with attending our Initial Training Program, which may include travel, lodging, meals and employee wages.
- e. We do not currently have a set training schedule, but training occurs approximately one (1) to two (2) months prior to the scheduled opening. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Initial Training Program. The Initial Training Program is subject to change without notice to reflect updates in the materials, methods, and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program via the Internet or webinar. Our training supervisor and his years of experience within the industry and years with our System are listed below. Our training managers may utilize other employees to assist them with all aspects of training.
- f. We require that you and the other required trainees above complete the Initial Training Program and other pre-opening training in two (2) weeks. We expect and intend to provide the training at your Premises within the same timeline. Failure to complete the Initial Training Program to our satisfaction within the applicable time period may result in termination of the Franchise Agreement. (Franchise Agreement, Sections 5(A) and 6(N)).

A summary of the training program is below:

## TRAINING PROGRAM

| SUBJECT                                                                                                        | Hours of on-the-job training | Hours of Classroom | Location                                                                         |
|----------------------------------------------------------------------------------------------------------------|------------------------------|--------------------|----------------------------------------------------------------------------------|
| Orientation – Meet key personnel, overview of company history, store expectations, using the Operations Manual | 0                            | 2                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Store Staffing – Recruiting, hiring, pay structure & retention                                                 | 4                            | 0                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Store Policies – Dress code, employee policies                                                                 |                              | 4                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Store Procedures – Day to day procedures, ideal day                                                            | 4                            | 4                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Visual Merchandising / Brand Standards                                                                         | 4                            | 4                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Product Knowledge                                                                                              | 8                            | 0                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Selling – Qualifying appointments, selling, tracking conversion                                                | 8                            | 4                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Inventory Management – assortment planning, ideal levels, selling stock                                        | 4                            | 2                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Marketing – marketing plan overview, local level execution                                                     | 4                            | 6                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Manager Training – staff management & development, leader development, floor management                        | 8                            | 6                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| Reporting – store sales / cost reporting, P&L, expectations, retail dashboard                                  | 4                            | 8                  | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| IT Package – learning BridalLive, Zipline, Quickbooks, Portal, True Society Brand Supplies Site                | 4                            | 14                 | Our Headquarters, a company owned store, your Franchised Store, Virtual Location |
| <b>TOTALS</b>                                                                                                  | <b>52</b>                    | <b>54</b>          |                                                                                  |

### Explanatory Notes to Item 11 Training Chart

1. Classroom training may be virtual or home study training.

2. In addition to the Initial Training Program, we may, at our discretion, send one (1) or more training personnel to the location of your Franchised Business for up to ten (10) days of on-site assistance at or around the time you first open that Franchised Business. You do not have to pay any additional fee in connection with this training, but you and your Designated Manager must ensure that all appropriate staff and personnel that will be operating the Franchised Business participate in any on-site assistance we provide.
3. In addition to the Initial Training Program, we also require you to complete approximately thirty (30) hours of training via virtual training and study at home. We may provide portions of this instruction via webinar or other online learning management system that allows us to track your participation, completion and, if appropriate, passing of any testing we determine appropriate for use in connection with our initial training.
4. As of the Issuance Date, we expect and intend to have our initial training supervised by our Business Development Training Manager, Ann Hafner, who has over twenty years of experience in running bridal stores and training bridal store owners and staff. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one (1) year in the subject matters that they teach. We will loan you one (1) copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop. You, or another person that successfully completes our Initial Training Program, will be required to train all other personnel that works at your Franchised Business. (Franchise Agreement, Sections 6(N) and 6(O)).
5. If you, your Designated Manager (if applicable) or other trainee you designate fails to complete the Initial Training Program to our satisfaction, that person may re-attend or you may send a replacement to our next available Initial Training Program session, provided there is availability. We may charge our then-current Training Fee for these individuals to re-attend the Initial Training Program as well. In any event, you are solely responsible for all expenses incurred related to your and your employee's attendance at our Initial Training Program, including transportation to and from the training site, lodging, meals and employee wages. (Franchise Agreement, Section 5(A) and 6(N)).

**B. Site Selection (as applicable)**

New Franchised Business

*Site Selection Area*

If you are operating a New Boutique, once you have entered into a Franchise Agreement with us for your Franchised Business, unless you have already secured an approved Premises at that time, we will designate a site selection area (the "Site Selection Area") in the "Data Sheet" that is attached as an Exhibit your Franchise Agreement (the "Data Sheet"). Under your Franchise Agreement, you will be required to secure a location from which to operate your Franchised Business after you afford us the opportunity to review and approve that site (the "Premises"). You will not be permitted to operate your Franchised Business at any location other than your Premises, which will be stated in the Data Sheet once approved by us and secured by you.

### *Site Selection Assistance and Conditions to Approval Generally*

We may periodically provide direct site selection assistance as we deem appropriate in our discretion, but it is your obligation to locate, submit for our approval, and secure (once approved) a site that is suitable for the Franchised Business. Failure to do so in a timely manner may result in you failing to open a given Franchised Business within the time required under your Franchise Agreement.

You must secure a site for your Franchised Business so that you have enough time to construct, build-out, open and commence operations of that Franchised Business within 9 months of the date you sign your Franchise Agreement.

We must approve your Franchised Business's proposed site (consistent with the priority and procedure disclosures set forth above in this Item) before you take steps to secure it. In deciding whether to approve or disapprove your proposed site, we will take various factors into account, including location and condition of the Franchised Business's proposed location, customer traffic patterns, demographics, geography, size, surrounding area, and Lease requirements. You may not move forward with a site that we have not approved or have disapproved. (Franchise Agreement, Sections 6(A) and (D)). We always have the right to reject a proposed site if it is located within a Territory or other area wherein we have granted territorial rights.

We must also have the opportunity to review any Lease or purchase agreement for a proposed site before you enter into such an agreement., and we may condition our approval on a number of conditions, including: (i) an agreement by you and the landlord of the Premises to enter into our prescribed form of Collateral Assignment of Lease; and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Products and Services, throughout the term of your Franchise Agreement. Under the Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the Lease for the Premises for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and fail to timely cure that default (if such cure is available). (Franchise Agreement, Sections 5(F) and 6(A); Exhibit C to Franchise Agreement).

We will use reasonable efforts to approve or reject any proposed location within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site.

If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements for a Franchised Business. (Franchise Agreement, Section 5(F)). Your failure to secure Premises within the prescribed deadline described above will be grounds for termination of your Franchise Agreement. (Franchise Agreement, Sections 6(A) and 15(B)).

### Conversion Franchised Business

If you are converting your Existing Business to a Conversion Boutique, one of the pre-conditions to us awarding you a franchise will be the parties' mutual agreement and understanding that the Conversion Boutique will be operated by you from the premises of that Existing Business. While you will not be required to secure a new location, you will be required to ensure that all fit-out requirements and improvements associating with operated a converted Franchised Business at and from the existing Premises

Marks are completed within six (6) months of the date you enter into your Franchise Agreement (Exhibit D to Franchise Agreement).

**C. Time to Open or Commence Operations**

With a Converted Boutique, you must commence operations within six (6) months of the date you execute your Franchise Agreement.

If you are opening a New Boutique for a Franchised Business, you must open and commence operation, we estimate that it will take between 6 months to 9 months to open your Franchised Business from the time you execute your Franchise Agreement.

Your total timeframe above may be shorter or longer depending on the time necessary to obtain an acceptable Premises (if applicable), to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening. If you do not open or operate your Franchised Business within this 12-month period, then we may terminate your Franchise Agreement, unless we agree to extend your opening deadline in a writing signed by both parties (Franchise Agreement, Sections 6(A) and 6(D)).

**D. Post-Opening (or Post-Conversion) Obligations**

After the opening of your Converted Boutique or New Boutique, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you and, if appointed, your Designated Manager, to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion. We will not charge you our then-current Training Fee for any additional training that we require you and/or your management to attend, but we reserve the right to charge this Training Fee in connection with: (a) any kind of additional or supplemental training or on-site assistance that we provide at your request (but not typical interactions such as routine remote assistance, scheduled calls and meetings); and/or (b) any Remedial Training that your or your management is required to attend or otherwise participate in, regardless of where located, as part of the curative actions that you (as the Franchisee) must undertake in order to cure a default or breach of your Franchise Agreement. You will also be solely responsible for all expenses that you and your trainees incur with the training described in this Section. (Franchise Agreement, Section 5(D));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, intranet communication, Microsoft Teams, or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 5(H));

3. We may also provide you with additional on-site assistance, subject to the availability of our field representatives and, upon our request, payment of our then-current Training Fee. (Franchise Agreement, Section 5(H));



4. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(I));

5. We may also, as we deem necessary in our discretion, provide you with seasonal signage and marketing templates or materials that you will be required to use in connection with your Franchised Business. (Franchise Agreement, Sections 6(M));

6. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(K));

7. We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any franchise conference. (Franchise Agreement, Section 5(Q));

8. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote the brand, the Proprietary Marks and other Franchised Business locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Sections 5(J) and 9(G));

9. We may administer and maintain a Marketing Fund to promote the Proprietary Marks, System, and brand generally, as we deem necessary in our sole discretion. (Franchise Agreement, Section 5(M));

10. We may, as we deem appropriate in our discretion, establish and maintain a shared drive, website portal or other online access points (each, a “System Site”) that will be accessible by franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manual, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (Franchise Agreement, Section 5(E));

11. We may conduct, as we deem advisable in our sole discretion, inspections of the Premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of your Franchised Business, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(L));

12. We may supplement, revise, or otherwise modify the Manuals and/or the any System Site as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail, and any System Site (Franchise Agreement, Section 2(G));

13. We may: (i) research new methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; (ii) create and



develop additional products and services to be offered or provided as Approved Products and Services at the Franchised Business; and (iii) provide pricing guidance if allowed under applicable law (Franchise Agreement, Section 6(F)); and

14. We shall implement the Grand Opening Marketing Campaign, the components of which may include online, social media and email marketing, direct mail advertising, newspaper advertising, radio advertising, promotional events, promotions, public relations events, use of discount coupons or any other activities we determine will contribute to generating business at your Franchised Business (only for new Boutiques, not for conversion stores). (Franchise Agreement, Section 5(G); Exhibit D to Franchise Agreement).

#### E. Advertising

##### *Generally*

All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as part of the System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)).

Our affiliate will handle most of the marketing and advertising for all the Franchised Businesses, using the marketing fees paid by franchisees. However, subject to our approval, you may create local advertising and promotional materials tailored for your Territory. If you wish to do so, you must submit these unapproved plans and materials to us, and we will have ten (10) days to notify you of our approval or disapproval of such materials. If we do not provide specific approval of the proposed materials within this ten (10) day period, the proposed materials will be deemed rejected. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Territory.

##### *Grand Opening Marketing Program*

You must pay to us the amount we require (between \$20,000 to \$30,000), for which we will implement a marketing plan to advertise and promote the Franchised Business for a 90-day period beginning 30 days prior to opening through 60 days following the opening. This fee includes all marketing materials you must use for the store.

##### *Marketing Fee Paid To Marketing Fund*

We require you to pay ~~three and a half~~four percent (~~3-1/2~~4%) of the Gross Revenue generated by your Franchised Business during the preceding month or other designated reporting period ("Marketing Fee") (Franchise Agreement, Section 9(C)). Currently, you will pay the Marketing Fee to us or our designee (which may be an affiliate) and it will be placed in the Marketing Fund. We have no obligation to spend this amount for your Franchised Business directly or to provide you an accounting of how we spend the monies (Franchise Agreement, Section 9(C)). We reserve the right to increase the Marketing Fee. Boutiques that we or any of our affiliates own will contribute to the Marketing Fund in the same amount and on the same payment terms as comparable franchisees.

We intend to create and will administer a Marketing Fund (the “Marketing Fund”). We will direct all Marketing Fund programs, with sole discretion over the creative concepts, materials, endorsements and media used and the placement and allocation of all advertising, marketing and public relations materials. We have the right to determine, in our sole discretion, the composition of all geographic territories and market areas for the development and implementation of social media, advertising, marketing and public relations programs. The Marketing Fund’s programs and activities are intended to maximize the public’s awareness of all Boutiques and of the Proprietary Marks and we are under no obligation to ensure that you or any other franchisee benefits directly or proportionately from the placement of such advertising, marketing and public relations programs and activities in relationship to franchisees’ contributions to the Marketing Fund. (Franchise Agreement, Section 9.D.)

The Marketing Fund may be used to meet all costs and expenses related to the following Marketing Fund programs and activities:

- a. Engaging, maintaining, administering, directing and preparing certain digital marketing management and placement services that are provided on an ongoing basis on behalf of franchisees and System generally;
- b. Maintaining, administering, directing and preparing national, regional or local advertising and marketing materials, social media programs and public relations activities, including, without limitation, the cost of preparing and conducting television, radio, video, direct mail, magazine, billboard, newspaper, Internet including the costs of developing and maintaining an internet website, and other media programs and activities;
- c. Employing advertising and marketing agencies/public relations and utilizing our administrative personnel to perform advertising and public relations services;
- d. Developing promotional brochures and advertising and marketing materials, including, without limitation, point of sale materials, for all Boutiques for purchase by franchisees;
- e. Conducting market research, testing and development of new products, services and equipment considered for a Boutique;
- f. Reimbursement of our administrative and personnel costs and salaries and overhead associated with advertising, marketing, social media, telemarketing, public relations, market research, product development, testing, and payment for consultants providing services in product development, customer satisfaction, consumer research and any expenses related to these services;
- g. Annual franchisee convention costs; and
- h. Technology-related costs to develop and promote Boutiques related to marketing.

The media in which the advertising may be disseminated includes, but is not limited to, print, point of purchase, radio, television, direct mail, electronic, internet, video and billboard. The media coverage may be local, regional or national. The source of the advertising may be in-house advertising and marketing personnel, or a local advertising agency or free-lance artist. You may utilize your own advertising material subject to submission to us and approval by us in writing of the content. Currently, the media coverage is national, local and regional and the source of the advertising, marketing and public relations materials is marketing personnel employed by us or one or more local or regional advertising agencies or freelance artists.

We will account for the Marketing Fund separately. It is not used to defray any of our general operating expenses, except for salaries, administrative costs, travel and overhead as we may incur in activities related to the development of social media, marketing materials and the administration or direction of the Marketing Fund and its programs and activities as described above and for collecting and accounting for contributions to the Marketing Fund. We will prepare an unaudited annual report of the operations of the Marketing Fund, which will be available to you upon reasonable request.

The Marketing Fund is not our asset; the Marketing Fund is not a trust. We will have no fiduciary obligation to you for administering the Marketing Fund. We may spend on behalf of the Marketing Fund in any fiscal year more or less than the total monies collected in that year, by borrowing from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will not use contributions for advertising that principally is a solicitation for the sale of franchises.

Although the Marketing Fund is intended to be perpetual, we may terminate the Marketing Fund at any time in our sole discretion. The Marketing Fund will not be terminated until all monies paid to the Marketing Fund have been expended for the activities of the Marketing Fund.

No Marketing Fund has been created; we may create that Fund in the future. We did not collect any fees for the Marketing Fund in our last fiscal year.

#### *Advertising Council*

We have not currently established an advertising council (the “Advertising Council”), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve only in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Marketing Fund and various advertising/marketing matters. At our discretion, the Advertising Council may be comprised of our management representatives, employees, you, and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 9(D)).

#### *Cooperatives*

Under the Franchise Agreement, you have no obligation to join or contribute to local or regional a cooperative.

#### **F. Systems Hardware and Software (Computer System)**

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, including without limitation: (i) a desktop computer that meets our System specifications; (ii) POS System terminals/cash drawers/thermal printers capable of running the POS software we designate; (iii) other peripheral hardware/devices; and (iv) the required software and related licenses (collectively, the “Systems Hardware and Software”). (Franchise Agreement, Sections 4(C) and 6(L)).

We must approve of all of the foregoing hardware before it is used in connection with your Franchised Business, and none of the foregoing hardware may be used for any other purpose other than operating your Franchised Business. (Franchise Agreement, Sections 4(C) and 6(G)).

We estimate the costs to purchase ~~our~~ and install the current Systems Hardware and Software to be ~~\$20,000 to \$25,000~~ to \$35,000 (of which you pay us or affiliates \$10,000 to \$12,000 for set up). You must pay us ~~\$1,800~~ 795 per location per month for the systems we require. We can increase that fee as state in Item 6.

Our offering and estimates assume that you will only purchase a single POS System terminal and related software.

You must keep your Systems Hardware and Software in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Systems Hardware and Software as we direct from time to time in writing. You may be required to enter into licenses and agreements with us or with designated or approved third party vendors for technical support, warranty service, or collateral software licenses. We and our affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to the Systems Hardware and Software. Any third party obligations for such services will be as you arrange and agree to.

You must have the components necessary to ensure that the entire Premises has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Systems Hardware and Software be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Systems Hardware and Software to monitor or retrieve data regarding the Boutique on the Systems Hardware and Software (or for any other purpose we deem necessary). There are no contractual limitations on our right to access the information and data on any component of your Systems Hardware and Software. We may also require you to use a Systems Hardware and Software and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Systems Hardware and Software and/or software. (Franchise Agreement, Section 4(C)).

You are also required to participate in any System-wide area computer network, intranet system, or extranet system that we implement, and may be required to use such networks or system to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, Section 5(J)).

#### G. Website and Internet Use

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook®, Instagram®, LinkedIn®, SnapChat®, Pinterest®, Twitter®, YouTube® or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must: (i) establish and operate your Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement, Section 9(E)).

We have established and currently maintain a website that promotes the Proprietary Marks and/or the System (the “Website”), including the contact information of your Franchised Business. We agree to establish an interior page on our corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) the Franchise Agreement governing that Franchised Business is not subject to termination. (Franchise Agreement, Section 5(G)). We have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time

without notice to you. We have the right to modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate in the best interest of the System. We (or our affiliate) are the sole registrant of the Internet domain name: <https://truesociety.com/> as well as any other Internet domain names that we or our affiliates register in the future. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

## **ITEM 12. TERRITORY**

### *Approved Premises and Relocation*

Your Franchised Business is to be located at a location to be approved by us, namely the Premises we identify in the Data Sheet exhibit to your Franchise Agreement once secured by you with our approval.

You may not relocate and/or operate your Franchised Business from any location other than the Premises without our prior written approval. If your landlord terminates your right to possession of your Premises before the term of your Franchise Agreement expires, then you and we must determine a new location within 90 days.

### *Designated Territory (or Territory)*

Once we approve your location, a Territory will be granted to you. We will not establish or license another franchisee to establish a Franchised Business, or otherwise operate, within your Territory during the term of your Franchise Agreement. Your Territory cannot be modified except by mutual written agreement signed by both parties. Our Approved Supplier, EOA, will not sell bridal gowns ~~or Sorella Vita bridesmaids gowns~~ directly to any retail business in the Designated Territory; ~~EOA may sell other bridesmaids gowns,~~ unless agreed in your Designated Territory writing.

The size of your Territory may vary from other System franchisees based on the location and demographics surrounding your Premises. The factors that we consider in determining the size of your Territory include current and projected market demand, demographics and population based on our research and experience, median household income, presence of other businesses, location of competitors, traffic patterns, access and visibility, location of other retail locations that sell similar products, our future development and other market conditions.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

If you fail to meet the minimum performance criteria stated in Section 6 of the Franchise Agreement, we have the right to terminate the Franchise Agreement. The minimum performance criteria is dependent on the population density in the designated territory along with other demographic and competitive factors. Minimums can range from \$1,000,000 up to \$3,000,000 annually. If your Franchise Agreement is terminated, you will lose your rights within the Territory granted under that agreement.

We reserve the right to differentiate Territory definitions and minimum performance expectations for each Franchised Business location. These will be specifically outlined in the Franchise Agreement.

### Permitted and Restricted Sales and Advertising Activities

All Franchised Businesses may sell Approved Products and/or Services to any customer that visits the Franchised Business location, regardless of whether that customers resides within the Territory granted in connection with that Franchised Business.

Each Franchised Business, however, is to be operated solely as a retail bridal business, and you agree not to offer or sell any items through any alternative channels of distribution, including e-commerce, telemarketing, mail order catalogs, computer and/or Internet marketing or any other system (in other words, in any fashion other than selling to the patrons visiting your Franchised Business, unless we authorize a specific off-site event that your Franchised Business may service).

You may not sell any products through group buying services such as Groupon or Living Social or otherwise offer discounts or coupons without our approval.

### Reserved Rights

We and our affiliates (if and when formed) also reserve the right to: (i) open and operate, or license third parties the right to open and operate, Boutiques or other locations utilizing the Proprietary Marks and System at any location outside of your Territory; (ii) market, offer and sell products and services that are similar to those offered and sold by a Franchised Business under a primary mark that is different than the Proprietary Marks, regardless of location; (iii) manufacture, offer, sell and/or distribute the Approved Products and Services, within or outside the Territory through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, direct mail or wholesale; (iv) to acquire, be acquired by, merge with, own and operate, franchise or license others to own and operate, or otherwise affiliate with any business of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by the Franchised Business (but under different marks), within or outside your Territory; (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement. In addition to the foregoing, in the event that we offer you the opportunity to offer the Approved Products and Services at an off-site event and you decline the opportunity, we reserve the right to do so ourselves or authorize an affiliate or representative to do so.

The Franchise Agreement does not grant you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders inside your Territory.

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will have no obligation to compensate you in connection with any such activities.

### Other Relevant Disclosures

Except as described in Item 1 of this Disclosure Document, neither we nor our affiliates sell similar goods or services to the Approved Products and Services offered by Franchised Businesses under our Proprietary Marks or a different mark or brand, but we reserve the right to do so as described in this Item.

Nothing in your Franchise Agreement provides you with any right or option to open and operate additional Franchised Businesses. Regardless, each Franchised Business you are granted the right to open and operate



must be governed by its own specific form of Franchise Agreement. The Franchise Agreement does not grant you any option, right of first refusal, or similar rights to acquire additional franchises within the Designated Territory or otherwise.

You may purchase additional franchises from us on our then-current terms, provided you meet our then-current criteria for a new franchisee and/or multi-unit owner and we otherwise determine it is appropriate to award you such additional franchises. Besides the rights listed here, you have no other rights of first refusal or option rights on additional territory.

### ITEM 13. **TRADEMARKS**

Our affiliate, True Society AG, owns the Proprietary Marks described below, which have been licensed to us. We grant you a limited, non-exclusive license to the then-current Proprietary Marks in connection with the operation of your Franchised Business only at your Premises and within your Territory, provided you use these Proprietary Marks as outlined in your Franchise Agreement(s) and our Manuals. Our affiliate intends to file all required affidavits with the USPTO for the Proprietary Marks above, as and when they become due.

As of the Issuance Date, the following Proprietary Mark is registered on the Principal Register of the USPTO:

| TRADEMARK                                                                           | REGISTRATION NO.        | REGISTRATION DATE                |
|-------------------------------------------------------------------------------------|-------------------------|----------------------------------|
| TRUE SOCIETY (word)                                                                 | 6479827                 | September 7, 2021                |
|  | <a href="#">7201954</a> | <a href="#">October 24, 2023</a> |

We have the right to use, and to license others to use, the Marks under an exclusive, renewable License Agreement between us and True Society AG, dated as of May 10, 2021 (“**License Agreement**”). Under the terms of this License Agreement, True Society AG licenses us to use and sublicense or franchise the Marks. The License Agreement automatically renews unless either party gives the other party notice of material breach. Upon the expiration or termination for any reason True Society AG will, among other things, assume all of our rights and obligations under any agreements (including, but not limited to, franchise agreements) with third parties then in effect.

Except for the trademark license agreement with EOA, there are no agreements in effect that significantly limit our rights to use or license the use of the Proprietary Marks listed in this Item in a manner material to the franchise. We are not aware of any infringing use of our primary Proprietary Marks that could materially affect your use of them.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the right to settle the proceedings or litigation. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Proprietary Marks.



We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state; however, a federal trademark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area. Therefore, before entering into the Franchise Agreement, you should make every effort to ascertain that there are no existing uses of the Proprietary Marks or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

We are the lawful and sole owner of the domain name <https://truesociety.com/>. You cannot register any of the Proprietary Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of a website using the Proprietary Marks. You may access our website thru your assigned Franchised Business web page. Except as we may authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; and (iii) create or register any Internet domain name in connection with your franchise.

You may use only the Proprietary Marks which we designate and may use them only in the manner we authorize and permit. Any goodwill associated with Proprietary Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Marks only for the operation of the Franchised Business and only at the Premises or in advertising for the Franchised Business. You must use all Proprietary Marks without prefix or suffix and in conjunction with the symbols “SM,” “TM,” “S” or “R,” as applicable. You may not use the Proprietary Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. You may not use the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “D/B/A” and a business name containing one or more of the Proprietary Marks we designate. You must promptly register at the office of the county in which your Franchised Business is located, or such other public office as provided for by the laws of the state in which your Franchised Business is located, as doing business under such assumed business name.

All of your advertising must prominently display the Proprietary Marks and must comply with our standards for using the Proprietary Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. You may use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings,

equipment or other materials employing the Proprietary Marks, or related marks, before first publication or use. We will not unreasonably withhold our approval. You must identify yourself as the owner of the Franchised Business (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the Franchised Business.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. You must discontinue using all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Proprietary Marks at your expense.

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

We do not own any registered patents or copyrights which are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, advertising, and business materials. We have no pending patent applications that are material to the franchise.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing, or other business materials.

During the term of the Franchise Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any trade secrets including our operating systems, other standards and specification for operating a Boutique, price marketing mixes related to products and services offered under the System, supplier networks, copyrighted materials including the Manuals, and other methods, techniques, and know-how concerning the operation of the Franchised Business (“Confidential Information”) you will acquire in your capacity as our franchisee. You may divulge such Confidential Information only to your employees who must have access to it to perform their employment obligations. You must require your Designated Manager and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right to work for a competitor while they are employed by you. Such agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and give us independent enforcement rights.

The Franchise Agreement provides that if you, your employees, or principals develop any new concept, process or improvement (each, an “Improvement”) in the operation or promotion of the Franchised Business, you must promptly notify us and provide us with all necessary related information, without compensation. Improvements will become our sole property, and we will be the sole owner of all patents, patent applications, trademarks, copyrights, and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and

file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that such provisions of the Franchise Agreement found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

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

While we recommend that you personally participate and manage the day-to-day operations of your Franchised Business, you may hire a Designated Manager to manage daily operations with our approval. Both you and your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has completed our Initial Training Program and otherwise demonstrated that he/she has a comprehensive understanding on our System standards and specifications for daily operations of a Boutique. If the franchisee is a business entity, we do not require the Designated Manager to own an interest in the entity, but the Designated Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement.

Even if you appoint a Designated Manager, you must still have a principal/owner that serves as our primary contact and that will be responsible for all operations in the event the Designated Manager is not present at the Premises and/or otherwise not actively handling Boutique operations on a day-to-day basis.

Your Franchised Business must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Franchised Business, you must have a properly trained Designated Manager at each Franchised Business you own and operate. You must keep us informed at all times of the identity of any personnel acting as Designated Manager, and obtain our approval before substituting a new Designated Manager at any of your locations.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel at your Franchised Business.

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, the Personal Guaranty attached to the Franchise Agreement as an Exhibit (the “Guaranty”). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the “Owners”), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

**ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may only offer the Approved Products and Services that we expressly authorize through your Franchised Business and may only offer these products and services at the Premises and in the manner prescribed in your Franchise Agreement and our Manuals. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Product or Service offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the Premises of your Franchised Business for any other business purpose other than the operation of your Franchised Business.

## **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.**

|    | <b>Provision</b>                               | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----|------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Term of the Franchise                          | Section 3                             | The initial term is for seven (7) years commencing on the date we execute your Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| b. | Renewal or extension of the term               | Section 3                             | You have the right to be considered for two additional (and successive) five (5) year renewal terms.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| c. | Requirements for franchisee to renew or extend | Section 3                             | In order to renew (which means renewing your franchise relationship with us), you must: not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Premises; not have received three (3) or more separate, written notices of material default from Franchisor with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices within the 12-month period preceding the renewal request date or renewal date; be in good financial standing; have continued right of possession to the Premises; have met minimum performance criteria; complete required renovation and modernization of your Franchised Business; execute our then-current form of Franchise Agreement (which may contain materially different terms and conditions than your original Franchise Agreement); complete our then-current refresher training course and pay the appropriate training fee (currently, \$500/day per trainee); pay a renewal fee amounting to \$1,000, and execute a general release in our favor (as well as related parties) (see Exhibit H for current form). |
| d. | Termination by franchisee                      | Not Applicable                        | You may terminate your Franchise Agreement under any grounds permitted by law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| e. | Termination by franchisor without cause        | Not Applicable                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| f. | Termination by franchisor with "cause"         | Section 15                            | We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| g. | "Cause" defined – curable defaults             | Section 15(B)                         | You must cure all monetary defaults under your Franchise Agreement within 10 days of being provided with notice by us,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|    | Provision                                        | Section in Franchise Agreement            | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----|--------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                  | Section 15(C)                             | <p>as well as the following defaults: failure to purchase any Required Purchase; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized; failure to pay us, our affiliates, or our Approved Suppliers any amount due, and failure to obtain any necessary permit/certificate/approval to operate the Franchised Business.</p> <p>If you receive notice that you have failed to provide us with access to your POS system, you must cure such a default within 3 days.</p> <p>If you receive notice that you are not in compliance with any law or regulation applicable to the operation of the Franchised Business, you must cure such a default within 15 days.</p> <p>Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| h. | “Cause” defined - defaults which cannot be cured | <p>Section 15(A)</p> <p>Section 15(B)</p> | <p>Your Franchise Agreement may be terminated automatically and without notice from us if: you become insolvent or make a general assignment for the benefit of creditors; a bankruptcy petition is filed by or against you and not dismissed within 30 days; a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; a receiver or custodian of your assets of property is appointed; a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement.</p> <p>Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if: you commit and fraud or misrepresentation in connection with your Franchised Business; you or other required attendees fail to timely complete our Initial Training Program; you receive three (3) or more notices to cure defaults under Section 15(C) of your Franchise Agreement in any 24-month period, or you receive two (2) or more such notices in any 12-month period (whether or not subsequently cured); you violate any in-term restrictive covenants; you misuse the Proprietary Marks, proprietary information or other Confidential Information provided to you; misuse an proprietary software that might be developed; you fail to cure any default under any other agreement you have with our affiliates or any Approved Supplier within the appropriate cure period; you default under your Lease</p> |

|    | Provision                                           | Section in Franchise Agreement     | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|-----------------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                     |                                    | for the Premises and fail to timely cure; you fail to open and commence operations within the required time period; you abandon your Franchised Business; you are convicted of a felony or any other crime of moral turpitude or offense that will adversely affect the System; you take any property of the Franchised Business for personal use; there are insufficient funds in your EFT Account on three (3) or more occasions in any 12-month period; or if you commit repeated violations of any applicable law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| i. | Franchisee's obligations on termination/non renewal | Section 16                         | Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Proprietary Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; return of the Manuals of any other proprietary information to us; provide us with all customer information, lists and applicable contracts; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the Lease for the Premises to us; pay us all outstanding amounts; comply with our option to purchase the business, if we so choose; and provide us with written confirmation of compliance with these obligations within 30 days. |
| j. | Assignment of contract by franchisor                | Section 13                         | No restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| k. | "Transfer" by franchisee – defined                  | Sections 13(A) and 13(C)           | Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| l. | Franchisor approval of transfer by franchisee       | Section 13(A)                      | We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| m. | Conditions for franchisor approval of transfer      | Section 13(E)<br><br>Section 13(F) | We have the right to impose the following conditions on any transfer by you: all of your obligations under the Franchise Agreement have been satisfied; you cure all existing defaults; the new franchisee must meet our then-current qualifications and criteria for a new franchisee; transferee must assume all of your obligations under the Franchise Agreement; transferee must complete our training program; transferee must execute our then-current form of franchise agreement; transferee must pay our Assignment Fee and successfully complete our Initial Training Program (and pay the applicable training fee); and you must execute a general (see Exhibit H for current form) in our favor (as well as related parties).<br><br>You will not be required to pay any transfer fee in the event: (i) you wish to transfer your rights under the Franchise Agreement                                                                                                     |



|    | Provision                                                               | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----|-------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                                         |                                | to a newly-established legal business entity that is wholly owned by you and established solely for purposes of operating the Franchised Business under that Franchise Agreement; or (ii) you are required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest with respect to the Franchised Business) in order to receive SBA or other traditional bank financing, provided we otherwise approve of the transfer.                                                                                                                                 |
| n. | Franchisor's right of first refusal to acquire franchisee's business    | Section 13(D)                  | Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party bona fide offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal. |
| o. | Franchisor's option to purchase franchisee's business                   | Section 16(H)                  | We have the right, but not the obligations, to purchase all or any portion of the assets of your Franchised Business upon expiration/termination of your Franchise Agreement at book value.                                                                                                                                                                                                                                                                                                                                                                                                          |
| p. | Death or disability of franchisee                                       | Section 13(B)                  | <p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and pays the appropriate tuition fee.</p> <p>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>                                   |
| q. | Non-competition covenants during the term of the franchise              | Section 14(A)                  | Neither you, your principals, guarantors, owners or Designated Managers, nor any immediate family member of you, your principals, guarantors, owners or Designated Managers, may: (i) own, operate, or otherwise be involved with, a Competing Business (as defined in the Franchise Agreement); or (ii) divert, or attempt to divert, any prospective customer to a Competing Business.                                                                                                                                                                                                             |
| r. | Non- competition covenants after the franchise is terminated or expires | Section 14(B)(1)               | If you are opening a New Boutique, for a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, managers, nor any immediate family member of you, your principals, guarantors, owners, and/or managers, may own, operate or otherwise be involved with any business that is involved in the licensing or franchising of Competing Businesses at any location within the United States where we can demonstrate we have offered this franchise offering.                                                    |



|    | Provision                                      | Section in Franchise Agreement            | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----|------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                | Section 14(B)(2)                          | <p>If you are opening a New Boutique, for a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, managers, nor any immediate family member of you, your principals, guarantors, owners, managers, may own, operate or otherwise be involved with and Competing Business within a 20 mile radius of: (i) the perimeter of your Designated Territory; (ii) any other Boutique location that exists or is under development as of the date your Franchise Agreement is terminated, expires or is transferred; or (iii) any other Development Area granted by Franchisor to open Boutiques under the Proprietary Marks as of the date this Agreement expires or is terminated.</p> <p>During this two (2) year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; or (ii) contacting any of our suppliers/vendors for a competitive business purpose.</p> <p>If you are operating a Converted Boutique, we will agree to waive the post-term non-compete obligation under the Franchise Agreement with regard to continuing operations from the premises of the former Franchised Business, so long as you comply with all other post-term obligations.</p> |
| s. | Modification of the agreement                  | Section 18(D)                             | Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Manuals as we deem appropriate in our discretion from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| t. | Integration/merger clause                      | Sections 18 and 22                        | Only the terms of the Franchise Agreement and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| u. | Dispute resolution by arbitration or mediation | <p>Section 21(B)</p> <p>Section 21(C)</p> | <p>You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at or our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation. This provision is subject to state law.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|    | Provision       | Section in Franchise Agreement | Summary                                                                                                                                               |
|----|-----------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| v. | Choice of forum | Sections 21(D) and 21(E)       | State or, if applicable, federal court encompassing or closest to our then-current headquarters, which is currently in Kansas. (subject to state law) |
| w. | Choice of law   | Section 21(A)                  | Kansas law, except federal Lanham Act (subject to state law)                                                                                          |

## ITEM 18. PUBLIC FIGURES

We do not use any public figures to promote our franchise, but we reserve the right to use one in the future.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATION

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 of a particular location or under particular circumstances.

### HISTORICAL AVERAGE, MEDIAN, LOW AND HIGH GROSS SALES FOR FRANCHISED STORES FOR 12 MONTHS ~~AFTER-OPENING~~ ENDED DECEMBER 31, 2023

|                    |                    | <del>Franchisee Stores</del><br><del>New Store Operations</del><br><del>Average Sales – First 12 Months of Operations</del> |                          |                    |                         |                      |                       |
|--------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|-------------------------|----------------------|-----------------------|
| Month of Operation |                    | <del>-</del>                                                                                                                | <del>Average Sales</del> | <del>-</del>       | <del>Median Sales</del> | <del>Low Sales</del> | <del>High Sales</del> |
| <del>Month 1</del> | <del>109,400</del> | <del>109,400</del>                                                                                                          | <del>78,060</del>        | <del>0</del>       | <del>\$78,060</del>     | <del>41,832</del>    | <del>114,287</del>    |
| <del>Month 2</del> | <del>109,400</del> | <del>109,400</del>                                                                                                          | <del>117,180</del>       | <del>75</del>      | <del>\$175,264</del>    | <del>\$253,698</del> | <del>\$118,877</del>  |
| <del>Month 3</del> | <del>109,400</del> | <del>109,400</del>                                                                                                          | <del>189,493</del>       | <del>102,297</del> | <del>\$208,068</del>    | <del>\$248,674</del> | <del>84,792</del>     |

|             |           |         |         |                        |                        |                         |                        |
|-------------|-----------|---------|---------|------------------------|------------------------|-------------------------|------------------------|
| Month 4     | March     | 158,213 | 458,213 | \$152,742<br>125       | \$162,700              | 163,683<br>\$210,013    | \$73,088               |
| April       |           |         |         | \$129,998              | \$133,265              | \$175,928               | \$77,536               |
| May         |           |         |         | \$104,469              | \$110,924              | \$118,198               | \$77,828               |
| June        |           |         |         | \$116,595              | \$116,353              | \$150,984               | \$82,690               |
| July        |           |         |         | \$140,898              | \$141,809              | \$153,652               | \$126,321              |
| Month 5     | August    |         |         | \$144,716              | \$158,645<br>751       | \$185,568<br>\$75,793   | 158,645<br>123,502     |
| Month 6     | September |         |         | \$182,165              | \$174,571<br>\$186,928 | \$223,370<br>\$13,1436  | 174,571<br>138,984     |
| Month 7     | October   |         |         | \$162,857              | \$120,489<br>\$161,894 | \$243,278<br>\$84,361   | 120,489<br>145,10      |
| Month 8     | November  |         |         | \$148,704              | \$115,949<br>\$149,865 | \$186,139<br>\$10,8,949 | 115,949                |
| Month 9     |           |         | 121,494 | 121,494                |                        |                         |                        |
| Month 10    |           |         | 125,461 | 125,461                |                        |                         |                        |
| Month 11    | December  |         |         | \$156,936              | \$164,250<br>496       | \$189,776<br>\$10,8,978 | 164,250                |
| Month 12    |           |         | 161,340 | 161,340                |                        |                         |                        |
| Total Sales |           | -       |         | \$1,590,167<br>809,733 | \$1,590,167<br>975,549 | \$1,451,860<br>\$2,     | \$1,728,475<br>159,020 |

|  |  |  |  |  |            |  |  |
|--|--|--|--|--|------------|--|--|
|  |  |  |  |  | <u>128</u> |  |  |
|  |  |  |  |  | <u>.81</u> |  |  |
|  |  |  |  |  | <u>3</u>   |  |  |

**Notes:** - - - - -

|  |                                                                                                                                    |   |
|--|------------------------------------------------------------------------------------------------------------------------------------|---|
|  | <del>1. Data excludes affiliate-owned stores and existing retail stores that converted to True Society franchised stores</del>     |   |
|  | <del>2. Sales data reflects sales order activity from Bridal Live, our point-of-sale system. The information is not audited.</del> |   |
|  | <del>3. Monthly sales trends are impacted by bridal retail seasonality</del>                                                       | - |
|  | <del>4. Sales data for months 1-6 include two stores, months 7-12 reflects one store</del>                                         | - |
|  |                                                                                                                                    | - |

|                                              |      |
|----------------------------------------------|------|
| <b>Franchisee Stores*</b>                    | -    |
| <b>Gross Profit Percentage</b>               | -    |
| <b>Twelve months ended December 31, 2022</b> |      |
|                                              | 61.7 |
| <b>2022 Annual Gross Profit*</b>             | % -  |

**Notes:** - - - - -

|  |                                                                                                                                                                                                                                                                                        |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <del>1. Gross profit percentage reflects product cost divided by same product sales price for the 12 month period ended December 31, 2022. This does not include any cost of goods sold. You will incur costs.</del>                                                                   |
|  | <del>2. Data reflects product cost and sales price values from Bridal Live, our point of sale system</del>                                                                                                                                                                             |
|  | <del>* Includes all Note: Data included from 4 franchised stores, both new and conversion stores, with 12 months of data for three stores and 3 months of data for one store. open from January 1, 2023 to December 31, 2023. No affiliate-owned franchised stores are included.</del> |

### Aggregated\* Gross Profit Percentage for all Franchise-Owned Stores\* for Twelve Months Ended December 31, 2023 – 63.1%

\*Gross profit percentage reflects product cost and sales order activity for the 12-month period ended December 31, 2023. Data reflects product cost and sales price values from Bridal Live, our point-of-sale system. Includes all four franchised-owned stores, both new and conversions, with 12 months of data. No affiliated owned stores are included.

### HISTORICAL AVERAGE, MEDIAN, LOW AND HIGH GROSS SALES FOR AFFILIATE OWNED STORES FOR 12 MONTHS ENDED DECEMBER 31, 2023

| <u>Month of Operation</u> | <u>Average Sales</u> | <u>Median Sales</u> | <u>High Sales</u> | <u>Low Sales</u> |
|---------------------------|----------------------|---------------------|-------------------|------------------|
| <u>January</u>            | <u>\$258,213</u>     | <u>\$258,213</u>    | <u>\$292,492</u>  | <u>\$223,934</u> |
| <u>February</u>           | <u>\$199,868</u>     | <u>\$199,868</u>    | <u>\$240,933</u>  | <u>\$158,803</u> |
| <u>March</u>              | <u>\$174,643</u>     | <u>\$174,643</u>    | <u>\$210,496</u>  | <u>\$138,789</u> |
| <u>April</u>              | <u>\$146,999</u>     | <u>\$146,999</u>    | <u>\$176,248</u>  | <u>\$117,750</u> |
| <u>May</u>                | <u>\$155,633</u>     | <u>\$155,633</u>    | <u>\$216,115</u>  | <u>\$95,152</u>  |

| <u>Month of Operation</u>                                                                                | <u>Average Sales</u>      | <u>Median Sales</u>       | <u>High Sales</u>         | <u>Low Sales</u>          |
|----------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <u>June</u>                                                                                              | <u>\$178,933</u>          | <u>\$178,933</u>          | <u>\$200,234</u>          | <u>\$157,632</u>          |
| <u>July</u>                                                                                              | <u>\$245,444</u>          | <u>\$245,444</u>          | <u>\$316,644</u>          | <u>\$174,245</u>          |
| <u>August</u>                                                                                            | <u>\$201,721</u>          | <u>\$201,721</u>          | <u>\$283,679</u>          | <u>\$119,763</u>          |
| <u>September</u>                                                                                         | <u>\$333,070</u>          | <u>\$333,070</u>          | <u>\$408,669</u>          | <u>\$257,470</u>          |
| <u>October</u>                                                                                           | <u>\$263,277</u>          | <u>\$263,277</u>          | <u>\$342,683</u>          | <u>\$183,870</u>          |
| <u>November</u>                                                                                          | <u>\$230,264</u>          | <u>\$230,264</u>          | <u>\$302,169</u>          | <u>\$158,358</u>          |
| <u>December</u>                                                                                          | <u>\$261,335</u>          | <u>\$261,335</u>          | <u>\$295,564</u>          | <u>\$227,106</u>          |
| <b><u>Total Sales</u></b>                                                                                | <b><u>\$2,649,399</u></b> | <b><u>\$2,649,399</u></b> | <b><u>\$3,285,926</u></b> | <b><u>\$2,012,872</u></b> |
| <u>Note: Data included from 2 affiliate owned stores open from January 1, 2023 to December 31, 2023.</u> |                           |                           |                           |                           |

**Aggregated\* Gross Profit Percentage for all Affiliate-Owned Stores\* for Twelve Months Ended December 31, 2023 – 58.8%**

\*Gross profit percentage reflects product cost and sales order activity for the 12-month period ended December 31, 2023. Data reflects product cost and sales price values from Bridal Live, our point-of-sale system. Includes all Affiliate-owned stores, with 12 months of data.

The stores included do not differ materially for stores to be operated by new franchise prospects. Sales data reflects sales order activity from Bridal Live, our point-of-sale system. The information is not audited. Monthly sales trends are impacted by bridal retail seasonality.

"Sales" numbers above do not include any dollars for alterations or applicable sales taxes. "Sales" means the total price of all merchandise at the time of the purchase, including all fees such as rush fees, custom design fees, and any other charges. Example: A bride purchases a bridal gown plus accessories that have a total purchase price of \$1,900. That total purchase price of \$1,900 would be included in the "Sales" number at the time of the purchase, regardless of when the payment is collected.

The gross revenue tables above do not include costs of sales, operating expenses or other costs or expenses that must be deducted from 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 Franchised Business, including independent market and industry reviews and comparisons and talking to current and former franchisees. You must consult with your own independent advisors, such as attorneys and accountants, to assist in determining the suitability of this investment for you.

**Some ~~True Society boutiques~~ outlets have achieved these sales order levels. Your individual results may differ. There is no assurance that you'll sell as much.**

Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representation. 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 franchisor's management by contacting True Society USA Inc.,

Attn: ~~John Manichia~~Franchise Administration, 15500 W. 113th Street Lenexa, KS 66219, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. LIST OF OUTLETS AND FRANCHISE INFORMATION**

**Table No. ~~11~~**  
System-wide Outlet Summary- For Years 2021-2023  
~~System-wide Outlet Summary- For Years 2020-2022~~

| Outlet Type    | Year              | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change              |
|----------------|-------------------|----------------------------------|--------------------------------|-------------------------|
| Franchised     | 2020 <del>1</del> | 0                                | <del>0</del> <u>1</u>          | <del>0</del> <u>+1</u>  |
|                | 2021 <del>2</del> | <del>0</del> <u>1</u>            | <del>1</del> <u>4</u>          | <del>+1</del> <u>+3</u> |
|                | 2022 <del>3</del> | <del>1</del> <u>4</u>            | 4                              | <del>+3</del> <u>0</u>  |
| Company-Owned* | 2020 <del>1</del> | <del>1</del> <u>2</u>            | 2                              | <del>+1</del> <u>0</u>  |
|                | 2021 <del>2</del> | 2                                | 2                              | 0                       |
|                | 2022 <del>3</del> | 2                                | 2                              | 0                       |
| Total Outlets  | 2020 <del>1</del> | <del>1</del> <u>2</u>            | <del>2</del> <u>3</u>          | +1                      |
|                | 2021 <del>2</del> | <del>2</del> <u>3</u>            | <del>3</del> <u>6</u>          | <del>+1</del> <u>+3</u> |
|                | 2022 <del>3</del> | <del>3</del> <u>6</u>            | 6                              | <del>+3</del> <u>0</u>  |

\* True KC Brides Inc., our affiliate, operates two affiliate-owned Boutiques in the United States.

**Table No. ~~22~~**  
Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor) - For Years 2021-2023  
~~Transfers of Outlets from Franchisees to New Owners~~  
~~(other than the Franchisor) - For Years 2020-2022~~

| State | Year              | Number of Transfers |
|-------|-------------------|---------------------|
| Total | 2020 <del>1</del> | 0                   |
|       | 2021 <del>2</del> | 0                   |
|       | 2022 <del>3</del> | 0                   |

**Table No. 3**  
**Status of Franchised Outlets - For years ~~2020-2022~~2021-2023**

| State   | Year              | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations Other Reasons | Outlets at End of the Year |
|---------|-------------------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
| Arizona | 2020 <del>1</del> | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |

| State    | Year                      | Outlets at Start of Year | Outlets Opened        | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations Other Reasons | Outlets at End of the Year |
|----------|---------------------------|--------------------------|-----------------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
|          | 202 <del>1</del> <u>2</u> | 0                        | <del>0</del> <u>1</u> | 0            | 0            | 0                        | 0                               | <del>0</del> <u>1</u>      |
|          | 202 <del>2</del> <u>3</u> | <del>0</del> <u>1</u>    | <del>1</del> <u>0</u> | 0            | 0            | 0                        | 0                               | 1                          |
| Michigan | 202 <del>0</del> <u>1</u> | 0                        | <del>0</del> <u>1</u> | 0            | 0            | 0                        | 0                               | <del>0</del> <u>1</u>      |
|          | 202 <del>1</del> <u>2</u> | <del>0</del> <u>1</u>    | <del>1</del> <u>0</u> | 0            | 0            | 0                        | 0                               | 1                          |
|          | 202 <del>2</del> <u>3</u> | 1                        | 0                     | 0            | 0            | 0                        | 0                               | 1                          |
| Oregon   | 202 <del>0</del> <u>1</u> | 0                        | 0                     | 0            | 0            | 0                        | 0                               | 0                          |
|          | 202 <del>1</del> <u>2</u> | 0                        | <del>0</del> <u>2</u> | 0            | 0            | 0                        | 0                               | <del>0</del> <u>2</u>      |
|          | 202 <del>2</del> <u>3</u> | <del>0</del> <u>2</u>    | <del>2</del> <u>0</u> | 0            | 0            | 0                        | 0                               | 2                          |
| Total    | 202 <del>0</del> <u>1</u> | 0                        | <del>0</del> <u>1</u> | 0            | 0            | 0                        | 0                               | <del>0</del> <u>1</u>      |
|          | 202 <del>1</del> <u>2</u> | <del>0</del> <u>1</u>    | <del>1</del> <u>3</u> | 0            | 0            | 0                        | 0                               | <del>1</del> <u>4</u>      |
|          | 202 <del>2</del> <u>3</u> | <del>1</del> <u>4</u>    | <del>3</del> <u>0</u> | 0            | 0            | 0                        | 0                               | 4                          |

**Table No. 4**  
**Status of Company-Owned Outlets\* - For years ~~2020-2022~~2021-2023**

| 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 |
|----------|---------------------------|--------------------------|-----------------------|------------------------------------|----------------|----------------------------|----------------------------|
| Kansas   | 202 <del>0</del> <u>1</u> | 1                        | 0                     | 0                                  | 0              | 0                          | 1                          |
|          | 202 <del>1</del> <u>2</u> | 1                        | 0                     | 0                                  | 0              | 0                          | 1                          |
|          | 202 <del>2</del> <u>3</u> | 1                        | 0                     | 0                                  | 0              | 0                          | 1                          |
| Missouri | 202 <del>0</del> <u>1</u> | <del>0</del> <u>1</u>    | <del>1</del> <u>0</u> | 0                                  | 0              | 0                          | 1                          |
|          | 202 <del>1</del> <u>2</u> | 1                        | 0                     | 0                                  | 0              | 0                          | 1                          |
|          | 202 <del>2</del> <u>3</u> | 1                        | 0                     | 0                                  | 0              | 0                          | 1                          |
| Total    | 202 <del>0</del> <u>1</u> | <del>1</del> <u>2</u>    | <del>1</del> <u>0</u> | 0                                  | 0              | 0                          | 2                          |
|          | 202 <del>1</del> <u>2</u> | 2                        | 0                     | 0                                  | 0              | 0                          | 2                          |
|          | 202 <del>2</del> <u>3</u> | <del>2</del> <u>2</u>    | 0                     | 0                                  | 0              | 0                          | 2                          |

\*True KC Brides Inc., our affiliate, operates two affiliate-owned Boutiques in the United States.



**Table No. 5**  
**Projected Openings as of December 31, 2023**

| State                 | Franchise Agreements Signed But Outlet Not Open | Projected New Franchised Outlets In The Next Fiscal Year | Projected New Company-Owned Outlets in the Current Fiscal Year |
|-----------------------|-------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------|
| Arizona               | 0                                               | 1                                                        | 0                                                              |
| Michigan              | 0                                               | 1                                                        | 0                                                              |
| <del>Washington</del> | <del>0</del>                                    | <del>1</del>                                             | <del>0</del>                                                   |
| <b>TOTALS:</b>        | 0                                               | <del>3</del> <u>2</u>                                    | 0                                                              |

Our list of current franchised locations as of our last fiscal year end is attached as Exhibit F to this Disclosure Document.

We do not have any franchisees that have left the System in the past fiscal year or otherwise not communicated with us in the 10 weeks prior to the Issuance Date of this Disclosure Document. The name, city, state and current business telephone number (if known) of every System franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document, will be listed on Exhibit G to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

We have not had any franchisees during the last three (3) fiscal years that have signed confidentiality provisions that would restrict their ability to speak openly about their experience with the System. There are no trademark-specific organizations formed by our franchisees that are associated with the System.

#### **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit C are our audited financial statements, which are comprised of the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of operations, stockholder's equity and cash flows for the year ended December 31, 2023, 2022 and the period from May 17, 2021 through December 31, 2021, and the related notes to the financial statements. ~~We have not been franchising for a period of at least three (3) years and, as such, we are not in a position to disclose our audited financial statements over the past three (3) years.~~ Our fiscal year-end is December 31st.

#### **ITEM 22. CONTRACTS**

Copies of the following contracts or documents are also attached as Exhibits to the Disclosure Document that you may be required to execute in connection with your franchise purchase:

|                                               |           |
|-----------------------------------------------|-----------|
| Franchise Agreement (and Exhibits)            | Exhibit B |
| State Specific Addenda (if and as applicable) | Exhibit D |
| Form of General Release                       | Exhibit H |

**ITEM 23.     RECEIPTS**

Exhibit I of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Attn: Franchise Administration, 15500 W 113th Street Lenexa, KS 66219, email: [info@truesociety.com](mailto:info@truesociety.com).

## **EXHIBIT A**

### **LIST OF STATE ADMINISTRATORS AND LIST OF AGENTS FOR SERVICE OF PROCESS**

## EXHIBIT A

### LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 / <a href="tel:8662752677">Toll Free: (866) 275-2677</a><br><del>Toll Free: (866) 275-2677</del><br>Email: <a href="mailto:ASK.DFPI@dfpi.ca.gov">ASK.DFPI@dfpi.ca.gov</a><br>Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a> | <b>NEW YORK</b><br>NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Fl<br>New York, NY 10005<br>(212) 416-8222                                                                                                                                                                                                                                                               |
| <b>HAWAII</b><br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722                                                                                                                                                                                                                                      | <b>NORTH DAKOTA</b><br>North Dakota Securities Department<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fourteenth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                                                                                                                                                                                                     |
| <b>ILLINOIS</b><br>Illinois Office of the Attorney General<br>Franchise Bureau<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                                                                                                                                                                                                   | <b>RHODE ISLAND</b><br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527                                                                                                                                                                                           |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                                                                                                                                                                                                                | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                                                                                                                                                                                |
| <b>MARYLAND</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                                                                                                                                                                                                           | <b>VIRGINIA</b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051                                                                                                                                                                                                                     |
| <b>MICHIGAN</b><br>Michigan Attorney General’s Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                                                                                                                                                                                                                                        | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Securities Division— <del>3<sup>rd</sup> Floor</del><br><del>150 Israel Road, Southwest</del><br><del>Tumwater</del> <a href="mailto:P.O.Box41200@ Olympia.wa.gov">P.O. Box 41200</a><br><a href="mailto:P.O.Box41200@ Olympia.wa.gov">Olympia</a> , Washington <del>98501</del> <a href="tel:985041200">98504-1200</a><br>(360) 902-8760 |
| <b>MINNESOTA</b><br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                                                                                                                                                                                                                              | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                                                                                                                                                                                                        |

### AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 / <a href="tel:8662752677">Toll Free: (866) 275-2677</a><br><del>Toll Free: (866) 275-2677</del><br>Email: <a href="mailto:ASK.DFPI@dfpi.ca.gov">ASK.DFPI@dfpi.ca.gov</a><br>Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a> | <b>NEW YORK</b><br>New York Secretary of State<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, NY 12231<br>(518) 473-2492                                                                                                                            |
| <b>HAWAII</b><br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722                                                                                                                                                                                                                                      | <b>NORTH DAKOTA</b><br>North Dakota Securities Commissioner<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fourteenth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                                                          |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                                                                                                                                                                                                                                     | <b>RHODE ISLAND</b><br>Director of Department of Business Regulation<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                                                                                                                                                                                                                | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Director of the Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                       |
| <b>MARYLAND</b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                                                                                                                                                                                                                                | <b>VIRGINIA</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219<br>(804) 371-9733                                                                                                    |
| <b>MICHIGAN</b><br>Michigan Attorney General’s Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                                                                                                                                                                                                                                        | <b>WASHINGTON</b><br>Director of Department of Financial Institutions<br>Securities Division – 3 <sup>rd</sup> Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760                                                            |
| <b>MINNESOTA</b><br>Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                                                                                                                                                                                                  | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                                                               |

## **EXHIBIT B**

### **FRANCHISE AGREEMENT**

**TRUE SOCIETY USA INC.**

**FRANCHISE AGREEMENT**

Franchisee: \_\_\_\_\_  
Approved Location: \_\_\_\_\_  
Designated Territory: \_\_\_\_\_  
Effective Date: \_\_\_\_\_



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**Exhibit A: Data Sheet**

**Exhibit B: Form of Personal Guaranty**

**Exhibit C: Form of Landlord Consent and Agreement**

**Exhibit D: Conversion Addendum**

**Exhibit E: EFT Withdrawal Authorization Form**

**Exhibit F: Form of Confidentiality and Non-Competition Agreement (for use by Franchisee for Management Personnel of the Franchised Business and Officers/Directors of the Franchisee)**

**Exhibit G: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names**

**TRUE SOCIETY USA INC**  
**FRANCHISE AGREEMENT**

**~~FRANCHISE AGREEMENT~~**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (“Effective Date,”) by and between: (i) TRUE SOCIETY USA INC., a Kansas corporation with a principal business address at 15500 W 113th Street Lenexa, KS 66219 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee”).

**RECITATIONS**

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed a unique system (the “System”) for operating boutiques (each, a “Boutique”) featuring bridal gowns, bridesmaids dresses, related formal wear and accessories, and optional alteration services in addition to various other related apparel and accessories that we may approve from time to time (collectively, the “Approved Products and Services”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operating procedures of Boutiques; standards and specifications for the purchase, storage and presentation of certain products; site selection guidelines and criteria, as applicable, for Boutiques; standards and specifications for the design, layout and construction of the interior and exterior of Boutiques; standards and specifications associated with the certain proprietary artwork, décor and trade dress of the Boutiques, as well as the retail space from which branded merchandise can be sold; specific suppliers and providers of proprietary equipment in connection with Boutiques, if and as applicable; standards and specifications for the furniture, fixtures and/or equipment located within the Boutiques; established relationships with approved or designated suppliers for certain inventory and other supplies necessary to operate a Boutique; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Boutique. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Boutiques are identified by certain marks, including trade names, trademarks, service marks and trade dress, that Franchisor designates for use in connection with each Boutique, including the current mark, True Society (collectively, the “Proprietary Marks”), all of which Franchisor may modify, update, supplement or substitute in the future as Franchisor deems appropriate. The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified parties a franchise for the right to open (if applicable), independently own, and operate a single Boutique utilizing the Proprietary Marks and System at a location that Franchisor approves in writing (each, a “Franchised Business”).

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Boutique from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Boutique based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

### **AGREEMENT**

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

#### **1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE**

- A. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not (a) presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing, or (b) violating any existing contractual obligations by entering into this Agreement.
- B. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- C. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- D. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, including but not limited to liquor license if the Franchised Business will be offering upgraded packages that include the service of alcohol, permits and approvals that are necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.

- E. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a Boutique (each, a “Franchise Agreement”); and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties’ duty to comply with the terms of this Agreement.

## 2. **GRANT OF FRANCHISE**

- A. **Grant of Franchise.** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the conversion or establishment and operation of a single Boutique.
- B. **Approved Premises; Site Selection Area (if applicable).** The Franchised Business must be operated from a single location that Franchisor reviews and approves (the “Premises”). If the Franchisee is opening a Boutique, as opposed to converting an already previous bridal boutique, and the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general search area (the “Site Selection Area”) on the data sheet attached to this Agreement as Exhibit A (the “Data Sheet”) wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised Boutique within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Boutique, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.
- C. **Relocation of Premises.** Once the Franchisor approves the Premises of the Franchised Business, regardless if it is for an opening of a new Boutique or a conversion to a Franchisor’s System, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor’s prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor’s then-current site selection criteria for the premises of a Boutique; and (ii) Franchisee reimburses Franchisor for all costs incurred in connection with reviewing and approving the relocation and new premises. If Franchisee’s landlord terminates Franchisee’s right to possess the Premises before the term of Agreement expires, then Franchisee must find and receive Franchisor’s approval of a suitable replacement location within 90 days.
- D. **Designated Territory.** Upon agreeing on the location of the Premises, Franchisor will designate a geographical area surrounding the Premises wherein, subject to the reserved rights in Section 2.F., Franchisor will not open or operate, or license a third party the right to open or operate, another Boutique utilizing the System and Proprietary Marks (the “Designated Territory”), for so long as Franchisee is in compliance with this Agreement and any other agreements with Franchisor or its affiliates. The boundaries of the

Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory unless expressly stated in this Agreement. Franchisee agrees and acknowledges that any customers located within your Designated Territory may elect to shop at any location, whether inside or outside of your Designated Territory.

- E. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Boutiques and that Franchisee does not have any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Boutiques, each of which will be governed by a separate form of Franchisor's then-current Franchise Agreement. Unless Franchisee obtains prior written consent from Franchisor, Franchisee must not sell, distribute, perform, render or provide Approved Products and Services to customers for whom Franchisee is not authorized. Franchisee may not directly market the Products or Services outside of its Designated Territory except in the event that a person from outside the Designated Territory independently elects to become a customer of Franchisee, in which case Franchisee may employ customer-specific direct marketing communication. Should Franchisee market any products or services outside of its Designated Territory, not only will such actions constitute a default under this Agreement, but Franchisee must also disgorge all monies paid to it on account of carrying out such activities to us.
- F. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Boutiques utilizing the Proprietary Marks and System outside the Designated Territory; (ii) market, offer and sell products and services that are similar to those offered and sold by a Franchised Business under a primary mark that is different than the Proprietary marks, regardless of location; (iii) manufacture, offer and sell the Approved Products and Services, within or outside the Designated Territory, through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, direct mail, or wholesale; (iv) acquire, be acquired by, merge with, own and operate, franchise or license others to own and operate, or otherwise affiliate with any business that offers products or services the same as or similar to those offered by the Franchised Business (but under different marks), within or outside your Designated Territory; and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement. Our affiliate, Essence of Australia (EOA), which is an Approved Supplier, will not sell bridal gowns or Sorella Vita bridesmaids gowns directly to any retail business in the Designated Territory; however, EOA may sell other bridesmaids gowns in your Designated Territory. .
- G. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement.

### 3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of seven (7) years commencing as of the Effective Date.
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to two (2) additional terms of five (5) years each, and must provide each request to renew no less than six (6) months, but no more than nine (9) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received three (3) or more separate, written notices of material default from Franchisor with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices in the 12-month period preceding the renewal request date or renewal date.
  2. Franchisee must have consistently met the Minimum Performance Criteria (described more fully in Section 6(T) of this Agreement) during the Term of this Agreement.
  3. Franchisee must execute Franchisor's then-current form of Franchise Agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of Franchise Agreement.
  4. Franchisee pays Franchisor a renewal fee equal to \$3,000, at least ninety (90) days prior to the expiration of the then-current term.
  5. Franchisee and/or the Designated Manager (as defined in this Agreement and as applicable) attends any training refresher course prescribed by Franchisor at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays Franchisor's then-current refresher training fee for each attending trainee. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training.
  6. Franchisee executes a general release, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and related entities and their officers, directors, shareholders, and employees in their corporate and individual capacities.
  7. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.



8. Franchisee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Franchised Business within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly opened Boutique.

#### 4. **FEES AND PAYMENTS**

A. **Fees.** In consideration of the rights and license granted herein, Franchisee shall pay the amounts stated below. No fees are due under Sections 4.A(2) and 4.A.(3) until the Franchised Business commences operation as a True Society Boutique and generates Gross Sales.

1. **Initial Franchise Fee.** Simultaneously with the execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee in the amount of \$30,000 (or as otherwise agreed). This fee is not refundable.
2. **Royalty Fee.** Franchisee is required to pay Franchisor a Royalty Fee of 3% of Gross Revenue. The Royalty Fee is payable the tenth day of each month or other day Franchisor designates, based on the Gross Revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month (a "Business Month"). We reserve the right from time to time, on not less than 30 days' written notice to you, to change the payment date; however, Franchisor will not require such payments to be made on a weekly or daily basis. If, due to federal, state or local laws, Franchisor is prohibited from receiving a percentage royalty based on alcoholic beverage sales, Franchisee shall pay Franchisor a Royalty Fee on all Gross Revenue except these alcoholic beverage sales in the same dollar amount as would have been paid if Franchisee paid the specified Royalty Fee on all Gross Revenue.
3. **Marketing Fee.** Franchisee is required to pay Franchisor a Marketing Fee of ~~3.54~~3.54% of Gross Revenue ("Marketing Fee") that is placed in the Marketing Fund (the "Marketing Fund"). The Marketing Fee is payable the tenth day of each month or other day Franchisor designates, based on the Gross Revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month (a "Business Month"). We reserve the right from time to time, on not less than 30 days' written notice to you, to change the payment date; however, Franchisor will not require such payments to be made on a weekly or daily basis. If Franchisor allocates certain money from the Marketing Fund to create/product advertising materials to be used by System franchisees, then Franchisee must cover the costs associated with shipping such materials to the Franchised Business.
4. In connection with the required computer software to be used in connection with the point-of-sale system at the Franchised Business (the "POS System") or otherwise for the operation of the Franchised Business, Franchisee shall pay the then-current license fees, initial set up and annual fees, and support fees charged by third party providers (or us or our affiliates). If paid to Franchisor or its affiliates

(even if that amount is a pass through to a vendor), Franchisee understands that Franchisor may increase these fees or require Franchisee to pay other amounts for technology solutions, POS System solutions, or other software to operate the Franchised Business; provided that any increases to already charged fees will not exceed 5% more than the fee charged for the prior calendar year and, in addition such fees, Franchisor may charge Franchisee an additional \$10,000 per year for existing or new technology solutions, POS System solutions or other software.

5. If established, Franchisor may charge Franchisee an on-going technology fee to pay for certain aspects of Franchisee's Computer System and/or software ("Technology Fee"). Franchisor may designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time providing reasonable notice to Franchisee.
6. All other training/tuition fees, as well as all amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates must be paid on an ongoing basis, as described more fully in this Agreement. If Franchisor (or affiliates) incur any fees or charges on behalf of Franchisee or the Franchised Business, Franchisee must reimburse such fees or changes upon demand.

B. **Method of Payment.** No fees are due to Franchisor until the Franchised Business opens for business and begins generating Gross Revenues. Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the "EFT Program"), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the "EFT Account"). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening or converting the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit E to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account. Franchisor shall be permitted to modify the method of payment at any time.

C. **Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee's computer system used in connection with the Franchised Business (the "Computer System") via the Internet, other electronic means or by visiting the Boutique, in order to obtain Gross Revenue, inventory levels or inventory control information and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System.



- D. **Gross Revenue.** “Gross Revenue” means the total revenue generated by your Franchised Business, including all revenue generated from the redemption of any and all gift cards and other Approved Products and/or Services at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Revenue” does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto or (b) the value of any allowance issued or granted to any customer of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.
- E. **Gross Revenue Reports.** Franchisor reserves the right to require Franchisee to send Franchisor a signed monthly Gross Revenue report (a “Gross Revenue Report”) detailing the following information: (i) Gross Revenue of the Franchised Business from the preceding business month; and (ii) any other information Franchisor may require for that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Revenue Reports from time to time. The parties agree and acknowledge that Franchisor may modify the interval at which it collects any recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a weekly rather than monthly basis). In such event, Franchisee’s reporting obligations may also be modified by Franchisor accordingly.
- F. **Late Payments and Interest; Insufficient Funds.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay to the Franchisor, in addition to the overdue amount (a) a late fee amounting to \$500 per incident per month and (b) interest at a rate of the greater of one and a half percent (1.5%) per month or the highest commercial rate permitted under applicable law, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such late fee and interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay \$500 for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.
- G. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.
- H. **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee’s interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note

given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.

1. Notwithstanding anything contained in Section 4(H) of the Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
2. The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(H) of the Agreement unless Franchisee fails to cure a material default under the Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).

## 5. **DUTIES OF FRANCHISOR**

- A. **Initial Training Program.** Franchisor shall offer and make available an initial training program (the “Initial Training Program”) for up to four (4) individuals including Franchisee and one (1) other management personnel Franchisee designates, provided the parties attend at the same time. One of the trainees must be Franchisee (or one of Franchisee’s principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, one (1) of the other attendees must be Franchisee’s designated manager that will be responsible for the day to day management of the Franchised Business (the “Designated Manager”). The Initial Training Program will be conducted at Franchisor’s corporate headquarters or other facility that Franchisor designates, subject to the schedules and availability of Franchisor’s training personnel. We may, in our discretion, charge you our then-current training fee (the “Training Fee”), which may vary based on the kind of training being provided; however at this time we are not charging the Training Fee. Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor’s staff), provided Franchisee pays Franchisor the Training Fee for each individual that attends in addition to the first four (4) individuals (as well as any expenses incurred). You are also required to complete approximately thirty (30) hours of training via virtual training and study at home.
- B. **On-Site Assistance Training.** Franchisor may, at its discretion send one (1) or more training personnel to the Premises for up to ten (10) days of on-site assistance and training prior to the opening of the Franchised Business (the “On-Site Assistance Training”). Franchisor may determine, in its reasonable discretion that Franchisee requires more than the ten (10) days of On-Site Assistance Training if Franchisee or Franchisee’s personnel are not able to demonstrate that they adequately understand and can follow the System standards and specification for operation as conveyed by Franchisor in the Initial Training Program and the first three (3) days of On-Site Assistance Training. In the event Franchisor or its personnel provides additional On-Site Assistance Training due to Franchisee’s inability to follow System standards and specifications, Franchisee will be responsible for the costs and expenses incurred by Franchisor and its personnel in connection with providing such additional training.

- C. **Replacement Personnel Training.** Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor's then-current Training Fee (as well as any expenses incurred).
- D. **Additional and Refresher Training.** Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor will require Franchisee and its designated attendees to pay Franchisor's then-current Training Fee (in addition to Franchisee's obligation to pay for any expenses incurred). Franchisee is strongly encouraged to train its personnel in responsible alcohol service if Franchisee will be offering upgraded packages that include the service of alcohol.
- E. **Manuals.** Franchisor will loan or provide Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the "Manuals"). Franchisor will also loan or provide Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the "Required Items"); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the "Approved Suppliers"); and (iii) a list of the Approved Products and Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you. Franchisor may also establish and maintain Franchisor's website portal, wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed as part of the Manuals on such website portal.
- F. **Site Selection Assistance (if applicable).** If you are opening a new Boutique, Franchisor will provide Franchisee with site selection assistance and guidance with regard to Franchisee's selection of a Premises for the Franchised Business, including Franchisor's then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may require that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee's proposed location prior to Franchisee entering into a lease for the Premises (the "Lease") or purchase agreement for the location. Franchisor may condition its approval of the Premises on the Lease for the proposed Premises and on the landlord's execution of Franchisor's form of Consent and Agreement of Landlord attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location within thirty (30) days of receiving all reasonably requested information from Franchisee.

**H.G. Opening Assistance/Continuing Assistance.** Franchisor shall provide opening assistance and continuing advisory assistance in the operation of the Franchised Business. Franchisor's determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.

**H.** **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.

**I.** **Website.** For so long as Franchisor has an active website containing content designed to promote Franchisor's brand, System and Proprietary Marks (collectively, the "Website"), Franchisor may list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement. Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business.

**J.** **Branded or Proprietary Products.** Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks or that are otherwise proprietary to be sold at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier Franchisor designates (which may include affiliates).

**K.** **Inspections of the Franchised Business and Premises.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include inspections of the Premises, taking photographs and/or videotape of the Boutique's common area interviewing and surveying Franchisee's personnel and customers, inspecting any and all books and records, and conducting mystery shop services. Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.

- i. Franchisor may establish a mystery shops program ("Mystery Shops Program") whereby a third-party vendor will patronize the Franchised Business and grade its experience based on criteria established by Franchisor or the third-party vendor. When established, we may pay the costs of the survey from the Marketing Fund.
- ii. Franchisor may also conduct quarterly service evaluations of the Franchised Business. Franchisee shall comply with any changes requested by Franchisor based on the quarterly evaluations.

**L.** **Administration of Marketing Fund.** When the Marketing Fund is established, Franchisor will administer the Marketing Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.

**M.** **No Assumption of Liability.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee

acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.

**EN.** **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

**PO.** **Pre-Opening or Pre-Conversion Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening or pre-conversion services as provided in this Agreement, Franchisee shall notify Franchisor in writing within ninety (90) days following the opening or conversion of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor complied with all of its pre-opening, opening, pre-conversion, and conversion obligations set forth in this Agreement.

**EP.** **Conference.** Franchisor may establish and conduct business conferences for all Boutique owners and operators, and may require Franchisee to attend these conferences. Franchisee will be solely responsible for all expenses incurred in attending the conferences (including any employee wages).

## **6. DUTIES OF FRANCHISEE**

A. **Secure a Premises (if Opening a New Boutique).** Franchisee must secure a Premises that Franchisor approves within three (3) months of executing this Agreement, unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, Franchisee must ensure that the Lease contains the provisions in Exhibit C to this Agreement.

B. **Access to Franchisor for Inspection of Premises.** Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.

C. **Compliance with Lease.** Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised

Business upon the termination or expiration of the Lease, the future operation of that Boutique by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.

- D. **Construction and Build-Out.** Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than nine (9) months after the date this Agreement is executed. Franchisor may recommend that Franchisee use an Approved Supplier for construction management services. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.
- E. **Required Licenses and Permits.** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, including but not limited to a liquor license if the Franchised Business will be offering upgraded packages that include the service of alcohol, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory.
- F. **Approved Products and Services.** Franchisee must only offer and sell only the Approved Products and Services at the Franchised Business. Franchisee understands that Franchisor must approve the products that will be offered at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specifications related to the manner in which the Approved Products and Services are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add, delete or otherwise modify certain of the Approved Products and Services from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. In the event Franchisee offers any unapproved product for sale, Franchisor reserves the right to charge Franchisee its then-current Prohibitive Product Fee.
- G. **Fixtures, Furniture, Signs and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires.
- H. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or



independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

- I. **Required Items.** Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchisor designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- J. **Alternative Products and Suppliers Approval.** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within ten (10) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to



use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- K. **Computer Issues.** Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.
- L. **Promotional Materials Display.** Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates.
- M. **Initial Training.** Franchisee and each of its management personnel must attend and successfully complete to Franchisor's satisfaction the Initial Training Program prior to the opening or the conversion of the Franchised Business, including if applicable, the Designated Manager.
  - i. Before Franchisor approves or schedules Franchisee (or any of Franchisee's initial personnel) to attend any portion of the Initial Training Program, Franchisee must: (i) undertake all steps to establish the EFT Account to use in connection with the Boutique, including ensuring that both Franchisor and its designee have all authorizations and approvals necessary to access this EFT Account; (ii) demonstrate that Franchisee has all required insurance policies in place and that such policies name Franchisor and its designees as additional insureds; and (iii) provide Franchisor with completed and signed copies of all exhibits to your Agreement, to the extent such exhibits have not been signed or need to be updated/completed. Franchisee must also complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and Franchisee must attend Franchisor's business conferences, if conducted.
  - ii. Franchisor reserves the right to charge its then-current Training Fee for any additional person(s) that attend the program other than the first three (3) individuals. Franchisee must also cover all costs associated with personnel of Franchisee attending the Initial Training Program.
- N. **Training of Employees.** Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Premises, the POS and Computer System, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one person that has completed the Initial Training Program must manage the Franchised Business at all times.
- O. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- P. **Image.** Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that the Premises is maintained in a clean and orderly manner; and (ii) ensuring that all equipment,

furniture and fixtures (including display racks or other similar items) remain in good, clean condition and are properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every five (5) years (unless the change is required in connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor's then-current System standards and specifications for a new Boutique.

- Q. **Customer Lists.** Franchisee must (i) maintain a list of all of its current and former customers, as well as their purchase history and any other data associated with specific customers' loyalty and/or rewards program that Franchisor designates for use in connection with the System and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly provide this information, which is deemed "Confidential Information" hereunder, to Franchisor upon expiration or termination of this Agreement for any reason.
- R. **Promotional/Maximum Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must follow Franchisor's general pricing guidelines, including any promotional or maximum prices set by Franchisor for a particular Approved Product or Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition, offering specials, and adapting to local market conditions. Franchisor may request information from Franchisee that has been used to substantiate any reduction in pricing to meet market conditions.
- S. **Operation of Franchised Business and Customer Service.** Franchisee will be responsible for the day-to-day operation of the business. Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.
- T. **Minimum Performance Criteria.** The Franchisee must achieve the monthly Minimum Performance Criteria as set forth in the Data Sheet. Franchisee acknowledges that the Minimum Performance Criteria are the minimum results, not targets nor goals, that the Franchisee must achieve. If the Franchisee fails to achieve the Minimum Performance Criteria for any given quarter, the Franchisee and Designated Manager must (i) attend a meeting held by Franchisor (which may at Franchisor's discretion be via an online platform designated by Franchisor), at the Franchisee's Cost, to discuss the performance of the Franchised Business; (ii) if requested by Franchisor, provide a written explanation for the failure to achieve the Minimum Performance Criteria; and (iii) set out specific strategies or actions, acceptable to Franchisor, to be taken to address the failure. If Franchisor determines that the Franchisee failed to achieve the Minimum Performance Criteria for reasons within the control of the Franchisee, Franchisor may, at its sole discretion, require the Franchisee, Designated Manager, and any other employee to undertake additional training at the Franchisee's cost. Franchisor may review and set a new Minimum Performance Criteria at any time the Franchisor deems necessary, to account for

Franchisee's performance, the performance of other franchisees in the System, changes in cost of living, and/or any other factors Franchisor determines, at its sole direction. New Minimum Performance Criteria are subject to total annual increase of not more than 5%. The parties agree that Franchisee, Designated Manager and other employees may attend the meetings noted in Section 6.T. via Zoom or other virtual platform agreed to by Franchisor in advance of such meetings. Franchisor can require the Franchisee, Designated Manager, and other employees to attend such meetings in person if the Franchisor, at its sole discretion, determines that meetings via virtual platforms are not sufficient.

- U. **Minimum Stock Level / Minimum Stock Purchase.** Franchisee must, at all times, maintain sufficient levels of inventory ("Minimum Stock Level"), maintain the mix of various types of inventory or product lines as Franchisor requires, purchase a minimum stock annually as Franchisor requires ("Minimum Annual Stock Purchase"), and maintain any required inventory items or product lines that Franchisor requires. Franchisor has the right to conduct stocktakes or otherwise inspect the levels of the Approved Products held by the Franchisee at any given time. Franchisor may, at its sole discretion, review and set a new Minimum Stock Level and Minimum Annual Stock Purchase at the end of every 12-month period during the Term of this Agreement.
- V. **Access to Boutique.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview personnel and customers of the Franchised Business; (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information' and (v) inspect the Franchisee's Minimum Stock Level. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.
- W. **Personal Participation by Franchisee.** Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Designated Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present. If Franchisee has a Designated Manager, that manager must successfully complete the Initial Training Program to Franchisor's satisfaction prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- X. **Credit Cards.** Franchisee must accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, and any other major credit cards designated by Franchisor.
- Y. **Payments to Franchisor.** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Z. **Employment Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training,

wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.

- AA. **Bookkeeping Software.** Franchisor may require Franchisee to use a third-party provider for bookkeeping services if Franchisee (i) fails to timely and accurately provide any and all required reports under this Agreement, or (ii) underreports the Gross Revenue of the Boutique at any time.
- BB. **Conference.** Franchisee must attend any business conference held by Franchisor, if conducted. This obligation cannot be delegated to non-shareholder managers. Franchisee will be responsible for all transportation, lodging, food and other costs incurred by the manager in attending the business conference.

## 7. **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks.** Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor (or its affiliates), and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. **Permitted Use.** It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.
- C. **Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
  - 1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
  - 2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
  - 3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademarks and service marks, under which it operates pursuant to a license agreement with True Society USA Inc."

- D. **Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.
- E. **Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- F. **Confidential Information.** Franchisee agrees that all documents, papers, notes, and other materials, as well as work products containing or derived from the proprietary information or from the knowledge of, or in connection with, the operation of the Franchised Business, will be Confidential Information (as defined in this Agreement) that is the exclusive property of Franchisor. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.
- G. **Modification or Substitution of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark or good offered, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages.
- H. **Other Modification or Substitution of Proprietary Marks.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.

- I. **Cease Use of Marks on Termination/Non-Renewal.** Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- J. **Disconnection of Telephone Number upon Termination/Renewal.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory or online under or containing the Proprietary Marks or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.
- K. **Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- M. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
  2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
  3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- N. **No Unauthorized Use.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an



infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.

- O. **Notification of Infringement.** Franchisee shall notify Franchisor within five (5) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- P. **Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the internet except as approved in writing by Franchisor;
  2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time; and
  3. That any images or content used in Franchisee's website, blog and/or any social media are original or licensed with Franchisee and will not violate or infringe upon the rights of any third party's copyright and/or trademark rights. Franchisee hereby agrees to release, indemnify, and hold Franchisor (and its representatives and employees) harmless from any damages or loss as a result of Franchisee's use of such images or content. Franchisee further agrees to be responsible for all costs or licensing fees required by any such infringement.

## 8. **MANUALS AND CONFIDENTIAL INFORMATION**

- A. **Compliance with Manuals.** In order to protect the reputation and goodwill of Franchisor and the System, and to maintain standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.
- B. **Control of the Franchised Business.** Franchisee acknowledges the Manuals provided by Franchisor to Franchisee are intended to protect Franchisor's standards, systems, names, and marks and are not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that the Franchised Business will be under the control of the Franchisee at all times.



- C. **Confidential Information.** In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business.
- D. **Trade Secrets and Confidential Information.** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:
1. The Manuals, as well as information related to the following: (i) site-selection criteria for Boutiques; (ii) methods, techniques and trade secrets for use in connection with the System for the establishment and operation of a Boutique; (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business and Boutiques generally; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business and Boutiques generally; (v) knowledge of the operating results and financial performance of any Boutique utilizing the System; (vi) customer communication and loyalty programs, along with data used or generated in connection with those programs; (vii) Franchisor's other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of the Proprietary Marks; (ix) information generated by, or used or developed in, the operation of the Franchised Business, including customer names, addresses, telephone numbers and any other information contained in the Franchised Business's Computer System; and (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business and Boutiques generally; and
  2. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").
- E. **Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.
- F. **Information Not Proprietary.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as hereinafter defined) is information that:
1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons;  
or

2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.
- G. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.
- H. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, spouses of employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit F (the "Confidentiality and Non-Competition Agreement"). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee's spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor's request.
- I. **Loan of Manuals.** Franchisor will loan or otherwise provide access to the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- J. **Modification of Manuals.** In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manual at issue maintained by Franchisor at its home office shall be controlling. Out-of-date pages must be returned to Franchisor immediately upon replacement. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.
- K. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights

therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

## 9. **ADVERTISING**

- A. **Advertising and Sales Promotion Programs.** Franchisor, or its affiliates, may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Boutiques operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. **Approval for all Advertising/Promotional Materials.** Franchisor recommends that Franchisee conduct local marketing for the Franchised Business in the Designated Territory. Franchisor, or its affiliates, will handle most of the marketing and advertising for all the Franchised Businesses. However, Franchisor may allow Franchisee to create local advertising and promotional materials tailored to the Territory. All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have ten (10) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this ten (10) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.
- C. **Marketing Fee Requirement.** Franchisee must pay to Franchisor (or its designee) ~~three~~four percent (~~3.5~~4%) of the Gross Revenue generated by the Franchised Business during the preceding month or other designated reporting period. Franchisor (or its designee) will place the marketing fees collected in the Marketing Fund (the "Marketing Fund"). Franchisor may increase the amount of the Marketing Fee.

Franchisor shall administer a Marketing Fund and direct all Marketing Fund programs, with sole discretion over the creative concepts, materials, endorsements and media used and the placement and allocation of all marketing and public relations materials. Franchisor has the right to determine, in its sole discretion, the composition of all geographic territories and market areas for the development and implementation of social media, advertising, marketing and public relations programs. The Marketing Fund's programs and activities are intended to maximize public awareness of Boutiques, and Franchisor is under no obligation to ensure that any franchisee or any Boutique benefits directly or pro rata from the placement of such advertising, marketing and public relations programs and activities. The Marketing Fund may be used to meet all costs and expenses related to any advertising or promotional activity including, among other things, the following programs and activities:

1. Engaging, maintaining, administering, directing and preparing certain digital marketing management and placement services that are provided on an ongoing basis on behalf of franchisees and System generally;
2. Maintaining, administering, directing and preparing national, regional or local advertising and marketing materials, social media programs and public relations activities, including, without limitation, the cost of preparing and conducting television, radio, direct mail, magazine, billboard, newspaper, Internet including the costs of developing and maintaining an internet website, social media and other media programs and activities;
3. Employing advertising and marketing agencies/public relations and utilizing Franchisor's administrative personnel to perform marketing and public relations services;
4. Developing promotional brochures and advertising and marketing materials, including, without limitation, point of sale materials for all Boutiques for purchase by franchisees;
5. Conducting market research, testing and development of new products, services and equipment considered for Boutiques;
6. Reimbursement of Franchisor's costs associated with advertising, marketing, social media, telemarketing, public relations, market research, product development, testing, customer satisfaction, and consumer research, including payments to third parties and Franchisor's personnel and administrative and overhead costs, and any expenses related thereto. If Franchisor expends more money than held in the Marketing Fund, Franchisor will not directly bill Franchisee for such amounts or require Franchisee to directly reimburse such amounts; however, Franchisor shall be permitted, in its sole discretion, to allocate any past or future contributions to the Marketing Fund to cover such expenditures;
7. For annual franchisee convention costs; and
8. Technology-related costs to develop and promote Boutiques related to marketing; and

Franchisor may spend in any fiscal year an amount greater or less than the aggregate fees paid to the Marketing Fund in that year and Franchisor may make loans to the Marketing Fund. Franchisor will cause the Marketing Fund to invest any surplus for future use by the

Marketing Fund. If Franchisor expends more money than held in the Marketing Fund, Franchisor will not directly bill Franchisee for such amounts or require Franchisee to directly reimburse such amounts; however, Franchisor shall be permitted, in its sole discretion, to allocate any past or future contributions to the Marketing Fund to cover such expenditures.

Franchisor will account for the fees collected by the Marketing Fund separately and the monies will not be used to defray any of Franchisor's general operating expenses, except for salaries, administrative costs and overhead as Franchisor may incur in activities related to the development of social media and marketing materials and for the administration or direction of the Marketing Fund and its programs and activities as outlined above, and for collecting and accounting for fees paid to the Marketing Fund. Franchisor will prepare an unaudited annual report, which is available to Franchisee upon reasonable request.

Although the Marketing Fund is intended to be perpetual, Franchisor may terminate the Marketing Fund at any time in Franchisor's sole discretion. The Marketing Fund will not be terminated until all monies paid to the Marketing Fund have been expended for the activities of the Marketing Fund.

- D. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding various advertising/marketing matters, including providing advice/guidance on how to administer the Marketing Fund (an "Advertising Council"). If Franchisor establishes an Advertising Council, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Boutiques, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.
- E. **Website.** Franchisor may establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.
- F. **Grand Opening Advertising.** Simultaneously with the execution of this Agreement, Franchisee must pay to Franchisor the amount Franchisor designates (between Fifteen Thousand Dollars (\$15,000) to Twenty-Five Thousand Dollars (\$25,000)) ("Grand

Opening Advertising Fee”). Franchisor will use the Grand Opening Advertising Fee to implement a marketing plan to advertise and promote the Franchised Business during the ninety (90) day period beginning thirty (30) days prior to opening through sixty (60) days following the opening. Franchisee may conduct additional grand opening advertising at Franchisee’s sole cost.

- G. **Other Advertising.** Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other Boutique); (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted to any other Boutiques location or System franchisee/developer, or (b) Franchisor otherwise provides its prior written consent in writing.

## 10. **ACCOUNTING AND RECORDS**

- A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Franchisee must use the standard chart of accounts provided by Franchisor. Upon Franchisor’s request, Franchisee must furnish Franchisor with copies of any or all inventory invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the inventory and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises.
- B. **Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee’s records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Revenue of the Franchised Business or any amount due to Franchisor by three percent (3%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee’s underreporting, along with any accrued interest on said amounts.
- C. **Computer System for Records.** Franchisee shall record all transactions and Gross Revenue of the Franchised Business on a Computer System that is approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee’s Computer System as described in Section 4 of this Agreement.



- D. **Computer System Files and Passwords.** Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement.
- E. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- F. **Submission of Performance Reports.** Franchisee shall submit to Franchisor, for review, financial statements, including a balance sheet and income statement prepared on a monthly basis, Gross Revenue reports detailing Gross Revenue of the Franchised Business from the preceding business month, and other information that Franchisor reasonably requires, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and place reasonably required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manuals or otherwise in writing. These reports are not required to be audited. Such reporting shall be submitted no later than the tenth (10th) day of the month following the reporting period or such other date specified in writing by Franchisor (which may be monthly for Gross Revenue reports). If Franchisee prepares and submits to Franchisor monthly profit and loss statements, Franchisor may require Franchisee to have a certified public accountant review such statements on a quarterly basis, the expense of which shall be borne entirely by the Franchisee, and then submit such quarterly reviews to the Franchisor. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against the Franchisee, the Franchised Business and/or any of the personal guarantors (if any) under this Agreement. Any monthly or quarterly statements provided by Franchisee to Franchisor under Section 10.F. are not required to be audited
- G. **Submission of Financial Statements.** Franchisee shall submit, within sixty (60) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement and cash flow report prepared and certified by a certified public accountant which cover the previous twelve (12) months of operations of the Franchised Business. The statements shall include a statement of income and a balance sheet certified by Franchisee as true and correct and shall be furnished within forty-five (45) days after the end of each fiscal year of the Franchised Business. The fiscal year of the Franchised Business must coincide with the calendar year.
- H. **Right to Require Audit if Franchisee Underreports.** In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has been underreporting the Gross Revenue of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end.



- I. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any Designated Manager that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisee is required to first notify Franchisor and obtain its approval prior to making any such change.

## 11. **INSURANCE AND INDEMNIFICATION**

- A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance required by applicable law, or by lender or lessor, as well as those types of insurance enumerated in the Manuals or otherwise by Franchisor in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. If Franchisee will be offering upgraded packages that include the service of alcohol, Franchisee must also maintain liquor liability/dram shop insurance with a minimum limit of \$10,000,000.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.

- C. **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's

directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the “Indemnitees”), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys’ fees and court costs), that are brought against any of the Indemnitees (collectively, the “Claims”) that arise out of or are otherwise related to Franchisee’s ownership, construction, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor’s option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

## 12. **INDEPENDENT CONTRACTOR**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Neither this Agreement nor Franchisor’s course of conduct is intended, nor may anything in this Agreement (nor Franchisor’s course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee’s employees and/or independent contractor.

## 13. **TRANSFER AND ASSIGNMENT**

- A. **Franchisee Right to Transfer.** Franchisee’s rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee’s interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor’s prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor’s prior written consent shall be voidable at Franchisor’s option and shall subject this Agreement to termination as specified herein.
- B. **Death or Disability.**
  - 1. In the event of Franchisee’s death, disability or incapacitation (or the death, disability or incapacitation of Franchisee’s principals/owners/guarantors), Franchisee’s legal representative, or Franchisee’s partner’s or guarantor’s respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as “Franchisee” under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the “90 Day Period”), such person has obtained Franchisor’s prior written approval and has executed Franchisor’s then-current Franchise Agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee’s obligations to Franchisor and Franchisor’s affiliates; and (ii) such person successfully completes Franchisor’s

training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.
3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).

C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).

D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's Lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to

accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. If the transaction does not occur, Franchisor will have an additional thirty (30) day period to exercise the right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:

1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;
5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;

6. The transferee shall execute Franchisor's then-current Franchise Agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, assuming all of Franchisee's obligations under this Agreement, with transferee's term commencing on the date the transferee executes the then-current Franchise Agreement;
7. Franchisee or transferee shall pay Franchisor a transfer fee equal to one thousand and five hundred dollars (\$1,500) (the "Transfer Fee"), as well as any third-party broker costs associated with the contemplated transaction;
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and pay Franchisor then-current Training Fee for transferee and one other person to attend training (the transferee will also be responsible for all costs and expenses associated with attending the Initial Training Program);
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business, including but not limited to a liquor license if the Franchised Business offers upgraded packages that include the service of alcohol;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its Franchise Agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any Transfer Fee in the event: (i) Franchisee wishes to transfer its rights under the

Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the Transfer Fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.
- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

#### 14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and Confidential Information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees. The phrase "immediate family members" as used in Sections 14A. and 14.B. shall mean and refer to the person's parents, siblings, spouses, partners, or children.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Designated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Designated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lease space to, lend money or extend credit to, or have any other interest in or involvement with: (i) any other bridal boutique or business that generates twenty percent (20%) or more of its revenue from the sale of bridal gowns, bridesmaid gowns, bridal accessories, and/or prom attire (each, a "Competing Business"); or (ii) any business that offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include the following: any business operated by Franchisee under a Franchise Agreement with Franchisor; or



any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;

2. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

**B. After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement or assignment of this Agreement by Franchisee, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any immediate family member of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
  - a. Own, operate or otherwise be involved with any business that is involved in the licensing or franchising of Competing Businesses at any location within the United States where Franchisor can demonstrate it has offered this franchise offering; or
  - b. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, or otherwise have any interest in or involvement with any other Competing Business: (i) within the Designated Territory; or (ii) within a twenty (20) mile radius of (a) the perimeter of the Designated Territory, (b) any other Boutique (whether franchised or company-owned) that is open or under development as of the date this Agreement is terminated or expires (or as of the date Franchisee assigns this Agreement), or (c) any other development area territory granted by Franchisor to open Boutiques under the Proprietary Marks as of the date this Agreement expires or is terminated; or
  - c. Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

- C. **Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of



the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 14 shall be tolled during any default under this Section 14.

- D. **Confidentiality and Non-Competition Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Exhibit F). Franchisee must furnish Franchisor a copy of each executed agreement.
- E. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

## 15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
  2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
  3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;

4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
5. A final judgment in excess of ten thousand dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

B. **Termination upon Notice.** Franchisor has the right to terminate this Agreement upon notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure any defaults or violations under Section 15(C) of this Agreement during any twenty-four (24) month period, or two (2) or more such notices during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the Lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right

to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);

9. If Franchisee fails to (a) secure a Premises if opening a new Boutique, or (b) open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure a monetary default under the Agreement within ten (10) days of being notified by Franchisor.
11. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; or (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
12. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than three (3) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
13. If Franchisee fails to provide Franchisor with access to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within three (3) business days of being notified by Franchisor;
14. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
15. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
16. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises, including but not limited to a liquor license if the Franchised Business offers upgraded packages that include the service of alcohol;
17. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person

owning an interest in Franchisee is convicted of a felony or any other crime or offense that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;

18. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchisee undertakes any action that Franchisor determines (in its sole discretion) is reasonably likely to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
19. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
20. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period;
21. If Franchisee commits repeated violations of any regulatory law, standard, or practice; or operates the business in a manner that presents a health or safety hazard to its employees or customers; or
22. If Franchisee continues to fail to achieve the Minimum Performance Criteria within six (6) months of the steps taken by Franchisor and Franchisee to mitigate the failure as set forth in Section 6(T) of this Agreement

C. **Termination upon Notice and 30-Day Cure Period.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.

D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee amounting to eight percent (8%) of the Gross Revenue of the Franchised Business during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section,

Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

## 16. **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Operation of Franchised Business and Affiliation with Franchisor.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner at or with respect to the Premises;
- B. **Return Manuals and Confidential Information.** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including customer lists and information) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Customer Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as may that Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date customer list and any membership contracts to Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form entitled Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit G;
- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor;

- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- G. **Payment of Outstanding Amount.** Pay Franchisor all amounts owed to Franchisor under the terms of this Agreement.
- H. **Purchase of Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).

## 17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

## 18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.
- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by



Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.

- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that for System franchisees all Franchise Agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

## 19. **ENFORCEMENT**

- A. **Full Access to Premises for Inspection.** In order to ensure compliance with this Agreement and enable Franchisor to carry out its obligation under this Agreement, Franchisee agrees that Franchisor and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Premises and all records thereof, including but not limited to, records relating to Franchisee's customers, suppliers, employees, and agents. Franchisee shall cooperate fully with the Franchisor and its designated agents requesting such access.
- B. **Injunctive Relief.** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- C. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- D. **Costs and Attorneys' Fees.** If either Franchisor or Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and the non-breaching/non-defaulting party engages an attorney to enforce their rights (whether or not formal judicial proceedings are initiated), the breaching/defaulting party must reimburse the non-breaching/non-defaulting party for all costs/expenses incurred in connection with



enforcing its rights under this Agreement including all reasonable attorneys’ fees, court costs and litigation expenses. If any legal action is instituted to interpret or enforce the terms of this Agreement, and the claim in such action is denied or the action is dismissed, the defendant/respondent is entitled to recover their reasonable attorneys’ fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

20. **NOTICES**

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged or delivered by electronic means with proof of delivery. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: True Society USA Inc.  
Attn: CEO  
15500 W 113th Street  
Lenexa, KS 66219  
Email: info@truesociety.com

To Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Email: \_\_\_\_\_

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier or other means). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be sent after receipt of such notice shall be sent to such other address.

21. **GOVERNING LAW AND DISPUTE RESOLUTION**

- A. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas, without reference to this state’s conflict of laws principles. The laws of Kansas regarding franchises (including, without limitation, registration, disclosure, and/or relationship, and the regulations thereunder) will not apply unless Kansas’s jurisdictional, definitional and other requirements are met independently of and without reference to this Section.
- B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor’s management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee’s dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C. **Mediation.** At Franchisor’s option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties’ respective rights and obligations arising from such agreement, which are not first

resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor's then-current principal offices (which are currently) in Lenexa, KS under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

- D. **Venue.** Subject to Section 21(C) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state or federal court with jurisdiction closest to our then-current headquarters at the time of filing. Franchisee hereby irrevocably consents to the personal jurisdiction of and venue in the foregoing courts.
- E. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- F. **Waiver of Punitive Damages.** Franchisee and Franchisor hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against the other arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that their recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

- G. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.
- H. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

**22. SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

**23. ACKNOWLEDGMENTS**

- A. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any other communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**

**TRUE SOCIETY USA INC.**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Spouse Signature: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**IF A PARTNERSHIP, CORPORATION, OR  
OTHER ENTITY:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT A TO THE FRANCHISE AGREEMENT

### DATA SHEET AND STATEMENT OF OWNERSHIP

1. SITE SELECTION AREA: Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

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2. PREMISES: Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises: \_\_\_\_\_

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3. DESIGNATED TERRITORY: Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below): \_\_\_\_\_

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4. FRANCHISEE CONTACT PERSON. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

5. STATEMENT OF OWNERSHIP. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

| <u>Name</u> | <u>Position/Title</u> | <u>Interest (%)</u> |
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6. MINIMUM PERFORMANCE CRITERIA. Pursuant to Section 6(T) of the Franchise Agreement and subject to any changes by Franchisor as permitted by Section (T), Franchisee agrees to maintain a monthly minimum Gross Revenue amount of \$ \_\_\_\_\_.

7. MINIMUM STOCK LEVEL. Pursuant to Section 6(U) of the Franchise Agreement and subject to any changes by Franchisor as permitted by Section 6(U), Franchisee agrees to maintain sufficient levels of inventory to meet consumer demands of \_\_\_\_\_ dresses on the display at all times.

8. MINIMUM ANNUAL STOCK PURCHASE. Pursuant to Section 6(U) of the Franchise Agreement, and subject to any changes by Franchisor as permitted by Section 6(U), Franchisee agrees to purchase on an annual basis at least \_\_\_\_\_ of stock.

## EXHIBIT B TO THE FRANCHISE AGREEMENT

### PERSONAL GUARANTY

#### GUARANTEE AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the True Society Franchise Agreement dated as of \_\_\_\_\_ (“**Agreement**”) by **True Society USA Inc.** (“**Franchisor**”), entered into with \_\_\_\_\_ (“**Franchisee**”), the undersigned (“**Guarantors**”), each of whom is an officer, director, owner, or other guarantor as required by Franchisor, hereby personally and unconditionally agree as follows:

**1. Guarantee and Assumption of Franchisee's Obligations.** Guarantors hereby: (1) guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that Franchisee and any assignee of Franchisee's interest under the Agreement shall: (a) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) punctually pay all other monies owed to Franchisor and/or its affiliates; (2) agree to be personally bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 14 (Covenants) and 11 (Indemnification); and (3) agree to be personally liable for the breach of each and every provision in the Agreement.

**32. General Terms and Conditions.** The following general terms and conditions shall apply to this Guarantee:

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right s/he may have to require that an action be brought against Franchisee or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; (7) any and all other notices and legal or equitable defenses to which he may be entitled; and (8) any and all right to have any legal action under this Guarantee decided by a jury.

Each of the undersigned consents and agrees that: (1) her/his direct and immediate liability under this Guarantee shall be joint and several; (2) s/he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, 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 shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Franchisor. In addition, if any of the undersigned ceases to be a member of the Control



Group, a 10% Owner, an officer or director of Franchisee or own any interest in Franchisee or the Franchised Business, that person (and his spouse, if the spouse is also a guarantor) agrees that the obligations under this Guarantee shall continue to remain in force and effect unless Franchisor in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 14 (Restrictions on Competition) of the Agreement shall remain in force and effect for a period of two (2) years after any such release by Franchisor. A release by Franchisor of any of the undersigned shall not affect the obligations of any other Guarantor.

If Franchisor brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Franchisor utilizes legal counsel (including in-house counsel employed by Franchisor or its affiliates) in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: (1) failure of timely payment or performance of the obligations under this Guarantee; (2) breach of any agreement or representation contained or referred to in this Guarantee; (3) the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Franchisor's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guarantee.

Sections 19 and 21 (Enforcement and Governing Law and Dispute Resolution) of the Agreement are incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee shall have the meaning given them in the Agreement.

*/Signatures on following page/*

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his or her signature.

**GUARANTORS:**

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Home Address: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Home Address: \_\_\_\_\_

EXHIBIT C TO THE FRANCHISE AGREEMENT

SAMPLE LEASE ADDENDUM FORM AND  
COLLATERAL ASSIGNMENT OF LEASE FORM

~~COLLATERAL ASSIGNMENT OF LEASE FORM~~

LEASE ADDENDUM FORM

The undersigned Landlord hereby:

- A. Agrees that the leased Premises will only be used in connection with the operation of Franchisee's franchised business utilizing Franchisor's proprietary marks (the "Proprietary Marks");
- B. Agrees that Franchisor has the right to enter the Premises to (a) make any modifications necessary to protect the Proprietary Marks, or (b) otherwise exercise or enforce Franchisor's rights under the Franchise Agreement;
- C. Agrees to allow Franchisee, upon written request from Franchisor, to provide Franchisor with a current copy of the lease;
- D. Agrees to notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and also provide Franchisor with the right to cure said default under the Lease within thirty (30) days of being notified (but Franchisor is under no obligation to do so);
- E. Agrees that Franchisor will have the option, but not the obligation, to assume or renew the lease and the occupancy of the business Premises, including the right to sublease to another Franchisee, for all or any part of the remaining term of the lease, upon Franchisee's default or termination hereunder or upon Franchisee's default or termination or expiration of the Franchise Agreement, and in connection with said assumption Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days, upon termination of Franchisee's rights under the lease, to exercise this option; and
- F. Agrees that the lease may not be materially amended, assigned, or sublet without Franchisor's prior written approval.

Dated: \_\_\_\_\_

LANDLORD  
CORPORATE SIGNATURE:

a/an \_\_\_\_\_ corporation

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

SIGNED and SEALED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

\_\_\_\_ Notary Public

## COLLATERAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned (“Assignor”) hereby assigns and transfers to True Society USA Inc. (“Assignee”), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Schedule 1 (the “Lease”) respecting premises commonly known as \_\_\_\_\_ (the “Premises”).

This Assignment is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor's rights, title and interest under the Lease pursuant to this assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default and failure to cure (within the appropriate time period) by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (the “Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 120 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

**ASSIGNOR:**

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

SIGNED AND SEALED this \_\_\_\_  
day of \_\_\_\_\_, 20\_\_

## EXHIBIT D TO THE FRANCHISE AGREEMENT

### CONVERSION ADDENDUM

This Conversion Addendum to the Franchise Agreement dated \_\_\_\_\_ (“Conversion Addendum”) is made as of the Effective Date of the Franchise Agreement (“Franchise Agreement”) between \_\_\_\_\_ (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

#### RECITALS

Franchisee currently owns and operates an existing retail bridal boutique (“Existing Boutique”) at the following location \_\_\_\_\_ (“Franchised Location”).

Franchisee would like to convert the Existing Boutique to a franchised True Society Boutique (“Franchised Business”) at the Franchised Location. Franchisor and Franchisee entered into a Franchise Agreement for this purpose and are also entering into this Conversion Addendum to modify certain terms of the Franchise Agreement to provide for the conversion of the Existing Boutique. All capitalized terms not defined in this Conversion Addendum will have the meaning set forth in the Franchise Agreement.

**NOW THEREFORE**, in consideration of Franchisor’s grant to Franchisee of the right to operate the Franchised Boutique at the Franchised Location during the term of the Franchise Agreement, as well as the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Conversion of Existing Boutique. The following is added to Section 6:

Notwithstanding anything to the contrary in Section 6 of the Franchise Agreement (or otherwise), the parties acknowledge and agree that Franchisee is converting the Existing Boutique and not developing a new True Society Business. Franchisor will evaluate the Existing Boutique and Franchisee’s business operations that manage and support the Existing Boutique, and will provide Franchisee with a schedule of required modifications and upgrades to the Existing Boutique and Franchisee’s business operations, which Franchisee must complete in order to convert the Existing Boutique and operations to a franchised True Society Business. Such changes and upgrades may include, without limitation: modifications and upgrades to the Existing Boutique; installing new fixtures, furnishings, and signage; upgrading and/or replacing Franchisee’s computer equipment to comply with Franchisor’s specifications; purchasing stock from an affiliate of Franchisor; and removal of fixtures, furnishings, and equipment that do not comply with Franchisor’s required standards and specifications (together, the “Conversion Plan”). The Conversion Plan shall be attached to this Addendum.

Franchisee may begin to operate the Franchised Business following Franchisor’s written confirmation that Franchisee has successfully completed the Conversion Plan and is authorized to operate as a Franchised Boutique (“Conversion Date”). All references in the Franchise Agreement to the Opening Date shall mean the Conversion Date. Franchisee must complete the Conversion Plan, complete all other pre-opening requirements of the Franchise Agreement (including, without limitation, the training requirements), obtain Franchisor’s written approval to begin operating the Franchised Business, and begin operating the Franchised Business within  months after the Effective Date (“Conversion Deadline”). All references in the Franchise Agreement to the Opening Deadline shall mean the Conversion Deadline.

2. Initial Franchise Fee. The following is added to Section 4.A.(1):

Notwithstanding anything to the contrary in this Section or otherwise in this Agreement, if you are converting a Boutique or if you have prior experience owning and operating a similar retail business, the initial franchise fee shall be \$\_\_\_\_\_.

3. Post Term Restrictions on Competition. Section 14.B. is deleted.

4. Post-Termination Obligations. Section 16(C) of the Franchise Agreement is hereby deleted.

5. Limited Modification. This Conversion Addendum shall form an integral part of, and be incorporated into, the Franchise Agreement as if fully set forth therein. The provisions of this Conversion Addendum shall govern, control, and supersede any inconsistent or conflicting provisions of the Franchise Agreement. Except as expressly modified by this Conversion Addendum, the Franchise Agreement remains in full force and effect.

6. Counterparts. This Conversion Addendum may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument. A facsimile or PDF copy of this Agreement and any signatures thereon shall be considered for all purposes as originals.

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement under seal on the date first written above.

**FRANCHISOR:**

**TRUE SOCIETY USA INC.**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**IF A PARTNERSHIP, CORPORATION, OR  
OTHER ENTITY:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## EXHIBIT E TO THE FRANCHISE AGREEMENT

### EFT AUTHORIZATION FORM

Bank Name: \_\_\_\_\_  
ABA# : \_\_\_\_\_  
Acct. No.: \_\_\_\_\_  
Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes True Society USA Inc. (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”) for the franchised business located at: \_\_\_\_\_ (the “Franchised Business”):  
(i) Technology Fees; (ii) any amounts due and owing the Company or its affiliates in connection with supplies, inventory, marketing materials and/or other items/services that are provided by Company or its affiliates; and (iii) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

#### **AGREED:**

#### **FRANCHISEE**

**[INSERT FRANCHISEE NAME]**

By: \_\_\_\_\_

Name (Print): \_\_\_\_\_

Its: \_\_\_\_\_

#### **FRANCHISOR APPROVAL**

**True Society USA Inc.**

By: \_\_\_\_\_  
[Name], [Title]

**Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.**

## EXHIBIT F TO THE FRANCHISE AGREEMENT

### CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

*(for trained employees, officers, directors, general partners, members, Designated Managers and any other management personnel of Franchisee)*

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of \_\_\_\_\_ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from True Society USA Inc. (the “Company”) to: (i) establish and operate a TRUE SOCIETY franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system (the “System”) relating to the establishment and operation of a True Society business (each, a “Boutique”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other True Society Boutiques; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods, and know-how related to the operation of a True Society Boutique or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such

information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in : (i) any other bridal boutique or business that generates twenty percent (20%) or more of its revenue from the sale of bridal gowns, bridesmaid gowns, and/or bridal accessories (each, a “Competing Business”); or (ii) any business that grants or has granted franchises or licenses, or establishes or has established joint ventures, for any Competing Business. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers of Franchisee for any competitive business purpose.

**[Delete for conversions]** a. *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two (2) years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a twenty (20) mile radius of the Premises; or (ii) within a twenty (20) mile radius of any other Boutique that exists at the time my employment with Franchisee ceases. During the two (2) year period described in this Section, I also agree that I will not: (a) be involved in the franchising or licensing of any Competing Business at any location within the United States where the Company can demonstrate it has offered or sold franchises as of the date my employment ceases with Franchisee; (b) undertake any action to divert business from the Franchised Business to any Competing Business; or (c) solicit any of the former customers of Franchisee for any competitive business purpose.

7 I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree 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 Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of Kansas. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Title: \_\_\_\_\_

**ACKNOWLEDGED BY FRANCHISEE**

[FRANCHISEE NAME]

By: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT G TO THE FRANCHISE AGREEMENT

### **CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES**

1. \_\_\_\_\_, doing business as a TRUE SOCIETY Boutique (the “Assignor”), in exchange for valuable consideration provided by True Society USA Inc. (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its TRUE SOCIETY franchised business located at \_\_\_\_\_ (collectively, the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_

Facsimile Number(s): \_\_\_\_\_

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

#### **ASSIGNOR**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

#### **ASSIGNEE**

##### **TRUE SOCIETY USA INC.**

By: \_\_\_\_\_  
[Name], [Title]

Date: \_\_\_\_\_

## **EXHIBIT C**

### **FINANCIAL STATEMENTS**



**TRUE SOCIETY USA, INC.**

**FINANCIAL STATEMENTS**

Years ended December 31, 2023 and December 31, 2022







## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

**TRUE SOCIETY USA, INC.**

### ***Opinion***

We have audited the financial statements of True Society USA, Inc. (the "Company") which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, the Company maintains certain agreements with related parties. These agreements include agreements for services from a related party under common ownership. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

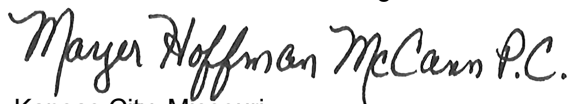
### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.



Kansas City, Missouri  
April 26, 2024

TRUE SOCIETY USA, INC.

BALANCE SHEETS

December 31, 2023 and 2022

|                                                                                                 | <b><u>2023</u></b>       | <b><u>2022</u></b>       |
|-------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b><u>ASSETS</u></b>                                                                            |                          |                          |
| CURRENT ASSETS                                                                                  |                          |                          |
| Cash                                                                                            | \$ 269,549               | \$ 323,373               |
| Accounts receivable                                                                             | 90,633                   | 58,438                   |
| Income taxes receivable                                                                         | 7,319                    | -                        |
| TOTAL CURRENT ASSETS                                                                            | <u>367,714</u>           | <u>381,811</u>           |
| LONG-TERM ASSETS                                                                                |                          |                          |
| Deferred income tax asset                                                                       | <u>5,003</u>             | <u>5,485</u>             |
| TOTAL ASSETS                                                                                    | <u><u>\$ 372,717</u></u> | <u><u>\$ 387,296</u></u> |
| <b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>                                              |                          |                          |
| CURRENT LIABILITIES                                                                             |                          |                          |
| Accounts payable                                                                                | \$ 125,907               | \$ 31,308                |
| Accrued liabilities                                                                             | 1,700                    | 6,346                    |
| Income taxes payable                                                                            | -                        | 30,317                   |
| TOTAL CURRENT LIABILITIES                                                                       | <u>127,607</u>           | <u>67,971</u>            |
| LONG-TERM LIABILITIES                                                                           |                          |                          |
| Long-term debt, related party                                                                   | <u>-</u>                 | <u>154,392</u>           |
| TOTAL LIABILITIES                                                                               | <u>127,607</u>           | <u>222,363</u>           |
| STOCKHOLDER'S EQUITY                                                                            |                          |                          |
| Common stock, par value \$1, authorized 100,000<br>shares, issued and outstanding 10,000 shares | 10,000                   | 10,000                   |
| Additional paid-in capital                                                                      | 90,000                   | 90,000                   |
| Retained earnings                                                                               | <u>145,110</u>           | <u>64,933</u>            |
| TOTAL STOCKHOLDER'S EQUITY                                                                      | <u>245,110</u>           | <u>164,933</u>           |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY                                                      | <u><u>\$ 372,717</u></u> | <u><u>\$ 387,296</u></u> |

See Notes to Financial Statements

**TRUE SOCIETY USA, INC.****STATEMENTS OF INCOME**

Years ended December 31, 2023 and 2022

|                            | <b>2023</b>      | <b>2022</b>      |
|----------------------------|------------------|------------------|
| REVENUES                   |                  |                  |
| Royalty fees               | \$ 378,978       | \$ 274,093       |
| Marketing fees             | 442,141          | 337,055          |
| Branded product sales      | 47,753           | 48,068           |
| Training sales             | 7,840            | -                |
| TOTAL REVENUES             | <u>876,712</u>   | <u>659,216</u>   |
| EXPENSES                   |                  |                  |
| Marketing                  | 601,668          | 394,572          |
| Branded product costs      | 57,385           | 38,246           |
| Operating expenses         | 103,665          | 117,280          |
| TOTAL EXPENSES             | <u>762,718</u>   | <u>550,098</u>   |
| INCOME FROM OPERATIONS     | 113,994          | 109,118          |
| INTEREST EXPENSE           | <u>4,093</u>     | <u>12,203</u>    |
| INCOME BEFORE INCOME TAXES | 109,901          | 96,915           |
| INCOME TAX EXPENSE         | <u>29,724</u>    | <u>26,552</u>    |
| NET INCOME                 | <u>\$ 80,177</u> | <u>\$ 70,363</u> |

See Notes to Financial Statements

TRUE SOCIETY USA, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

Years ended December 31, 2023 and 2022

|                            | <b>Common Stock</b> |               | <b>Additional<br/>Paid-In<br/>Capital</b> | <b>Retained<br/>Earnings<br/>(Deficit)</b> | <b>Total</b> |
|----------------------------|---------------------|---------------|-------------------------------------------|--------------------------------------------|--------------|
|                            | <b>Shares</b>       | <b>Amount</b> |                                           |                                            |              |
| Balance, December 31, 2021 | 10,000              | \$ 10,000     | \$ 90,000                                 | \$ (5,430)                                 | \$ 94,570    |
| Net income                 | -                   | -             | -                                         | 70,363                                     | 70,363       |
| Balance, December 31, 2022 | 10,000              | 10,000        | 90,000                                    | 64,933                                     | 164,933      |
| Net income                 | -                   | -             | -                                         | 80,177                                     | 80,177       |
| Balance, December 31, 2023 | 10,000              | \$ 10,000     | \$ 90,000                                 | \$ 145,110                                 | \$ 245,110   |

See Notes to Financial Statements

TRUE SOCIETY USA, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and 2022

|                                                                                  | <u>2023</u>       | <u>2022</u>       |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                   |                   |
| Net income                                                                       | \$ 80,177         | \$ 70,363         |
| Adjustments to reconcile net income to net cash flows from operating activities: |                   |                   |
| Deferred income tax expense                                                      | 482               | 1,878             |
| Increase in operating assets                                                     |                   |                   |
| Accounts receivable                                                              | (32,195)          | (8,484)           |
| Income tax receivable                                                            | (7,319)           | -                 |
| Prepaid expenses                                                                 | (213)             | -                 |
| Increase (decrease) in operating liabilities                                     |                   |                   |
| Accounts payable                                                                 | 94,599            | 13,756            |
| Income taxes payable                                                             | (30,317)          | 24,712            |
| Accrued liabilities                                                              | (4,646)           | 128               |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                                         | <u>100,568</u>    | <u>102,353</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                   |                   |
| Payments on related party debt                                                   | <u>(154,392)</u>  | <u>(81,897)</u>   |
| NET CASH FLOWS FROM FINANCING ACTIVITIES                                         | <u>(154,392)</u>  | <u>(81,897)</u>   |
| NET CHANGE IN CASH                                                               | (53,824)          | 20,456            |
| CASH, BEGINNING OF PERIOD                                                        | <u>323,373</u>    | <u>302,917</u>    |
| CASH, END OF PERIOD                                                              | <u>\$ 269,549</u> | <u>\$ 323,373</u> |

See Notes to Financial Statements

## TRUE SOCIETY USA, INC.

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies

**Nature of operations** - True Society USA, Inc. ("the Company") is a franchisor of retail bridal stores. As with most franchising, the revenue earned is a percentage of franchisee sales and a marketing fee. Marketing fees are primarily a pass through for expenses that are paid for the benefit of the franchisees in the system. As of December 31, 2023 and 2022, there were four third-party franchised stores. As of December 31, 2023 and 2022, there were two affiliate-owned True Society stores. The stores are currently located in Kansas, Missouri, Michigan, Oregon and Arizona. Given the limited number of franchises in operation, accounts receivable balances and revenue were 100% concentrated with transactions with franchised stores and affiliate-owned stores as of and for the years ended December 31, 2023 and 2022.

**Basis of accounting** - The financial statements and related notes of the Company are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could materially differ from those estimates.

**Cash** - As of December 31, 2023 and 2022, cash consisted of cash held in a Federal Deposit Insurance Corporation ("FDIC") insured bank account. At times, the Company maintains deposits in excess of federally insured limits. The balance in excess of this limit was \$19,549 and \$73,373 at December 31, 2023 and 2022, respectively. Management monitors the soundness of financial institutions and feels the Company's risk of loss is negligible.

**Accounts receivable** - The Company grants credit to all qualified franchisees in the normal course of business. Accounts receivable do not accrue finance or interest charges. On a periodic basis, the Company evaluates its accounts receivable in order to estimate and establish an allowance for credit losses based on history of past write-offs, collections and current conditions. An account is written off only when it is determined that all collection efforts have been exhausted. The Company generally has contracts with franchisees, limiting credit exposure; therefore, no allowance for credit losses was established as of December 31, 2023 and 2022.

**Income taxes** - The Company accounts for income taxes in accordance with U.S. GAAP, which results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provision of the enacted tax law to the taxable income or excess of deductions over revenue. Deferred tax assets and liabilities are established for the temporary differences between the financial accounting and tax basis of the Company's assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company files income tax returns in the U.S. Federal and various state jurisdictions.

The Company's policy is to evaluate uncertain tax positions under guidance as prescribed by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. As of December 31, 2023 and 2022, the Company had not identified any uncertain tax positions requiring recognition in the financial statements. The Company began operations on May 17, 2021. Therefore, all activity is subject to U.S. federal, state, or local income tax examinations by tax authorities.

The Company applies an accounting policy election to classify interest expense related to income taxes and penalties as a component of income tax expense.

**Marketing expense** - The Company expenses marketing costs as they are incurred. Marketing expense was \$601,668 and \$394,572 for the years ended December 31, 2023 and 2022, respectively.



TRUE SOCIETY USA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

**Revenue recognition** - Revenue is recognized pursuant to ASC Topic 606, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. This principle is applied using the following 5-step process:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) each performance obligation is satisfied

The Company's revenue consists of fees earned from the licensing and marketing to franchisees that own and operate retail bridal store locations as well as sales of branded products to franchisees for brand-related items. Certain franchise agreements provide the ability for the Company to charge an initial fixed franchise fee, however no initial franchise fees have been charged to date for existing franchisees. The franchise agreements provide for the payment of a monthly information technology ("IT") fee, ongoing royalties based on a percentage of gross sales, and ongoing marketing fees based on a percentage of gross sales. Contracts also require a fixed renewal fee upon renewal of a franchise license, and include options for franchisees to purchase additional services, such as ad hoc training at hourly rates.

IT services – The Company provides franchisees with IT software in accordance with franchise contracts for solutions supporting their operations. In applying principal versus agent considerations under ASC Topic 606, the Company determined it is acting as an agent in the relationship as the software licenses provided to the franchisees are held at a related party, Essense of Australia, Inc. ("EOA"). As such, these revenues are recorded on a net basis.

Franchise, marketing and pre-opening services – The Company's contracts include ongoing royalty fees based on a percentage of gross revenue, marketing fees based on a percentage of gross revenue, and certain pre-opening services for new franchisees. The Company determined that all franchise agreements contain a single performance obligation, as preopening services and advertising are not sold on a standalone basis and are highly interrelated with the license of intellectual property ("IP") under the franchise agreement. The franchisee simultaneously receives and consumes the benefits as the Company performs over the five-year term of the agreement. Such amounts are recognized ratably over time based on the term of the franchise agreement or renewal, generally five years. The Company applies an exception provided by ASC Topic 606 specific to sales-based royalties, in which the Company is not required to estimate variable consideration at the onset of a contract when the royalties relate only to a distinct license of IP or when the license is the predominant item to which the royalty relates. The overall performance obligation is the franchise right (license), and therefore the Company recognizes revenue when the subsequent sales occur. The Company charges separate fees for marketing services based on a percentage of gross revenue. The services covered by these fees consist of marketing activities that are performed at the brand level and not on an individual franchisee basis. As such, these marketing promises are combined with the IP license because the marketing activities do not relate to the individual franchisee but generally enhance the value of the intellectual property included in the license.

Options for additional services – The Company's contracts include options for franchisees to purchase additional services, such as ad hoc training at hourly rates. The Company considers these promises to be satisfied at the time the additional services are provided, if requested by a customer. The Company had \$7,840 and \$0 for the years ended December 31, 2023 and 2022, respectively.

## TRUE SOCIETY USA, INC.

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

Branded product sales – The Company sells branded products to stores. Branded product items include True Society branded products as well as various products endorsed by the Company. Stores place orders for products via a website, and products are shipped by the Company to the store. The Company purchases products from a related party, EOA, for resale to stores. In applying principal versus agent considerations under ASC Topic 606, the Company determined it is acting as a principal in the relationship as the Company sets the price of products, obtains orders from the stores, and is responsible for providing all customer service. As such, these revenues are recorded on a gross basis. The Company considers these promises to be satisfied at the time control of the products transfers to the store, which is typically upon shipment.

The Company utilizes the following practical expedient for revenue recognition:

- When the Company transfers services to a customer and payment from the customer is expected within one year or less, a significant financing component is presumed not to exist.

**Adoption of a new accounting standard** – The Company implemented FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments-Credit Losses* (“Topic 326”) *Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset.

#### (2) Related party transactions

EOA is the U.S. distributor of gowns to True Society USA, Inc. franchisees and part of the WM Bridal Group GmbH, a collection of stand-alone operating entities under common ownership with the Company’s sole stockholder. Agreements between the Company and EOA provide for sharing the costs of ongoing operations of certain expenses shared by the Company and EOA. The Company is obligated to pay fees and charges specified in these agreements estimated at \$18,885 annually. One agreement for accounting services will remain in place indefinitely until terminated and contains an early termination clause allowing the Company to terminate the agreement at any time provided a 30-day notice. Another agreement has a term extending through July 1, 2026 but contains an early termination clause allowing the Company to terminate the agreement at any time provided a 30-day notice. Amounts paid to EOA related to agreements between the Company and EOA for sharing the costs of certain expenses totaled \$18,885 for the years ended December 31, 2023 and 2022. Marketing expense paid to EOA was \$601,668 and \$394,572 for the years ended December 31, 2023 and 2022, respectively. The Company had accounts payable of \$125,862 and \$28,098 to EOA at December 31, 2023 and 2022, respectively.

On June 24, 2021, the Company borrowed \$236,289 under a five-year term loan agreement with the Company’s sole stockholder. The unsecured loan incurs interest at a rate of 5% annually and is payable in full no later than June 24, 2026. The outstanding balance was \$0 and \$154,392 as of December 31, 2023 and 2022, respectively.

Additionally, two of the six franchised stores are owned by True KC Brides, Inc., a related party through common ownership. See additional related party disclosures in Notes 3 through 5 below. The Company had accounts receivable of \$90,632 and \$23,618 due from True KC Brides, Inc. as of December 31, 2023 and 2022, respectively.

# TRUE SOCIETY USA, INC.

## NOTES TO FINANCIAL STATEMENTS

### (3) Franchising revenue

Each of the Company's franchised stores pay a royalty fee equal to 3% of gross sales less applicable taxes. The royalty fee is payable monthly based on the gross revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month. The Company recorded royalty fees of \$378,978 and \$274,093, which included revenue from related parties of \$155,335 and \$136,991 for the years ended December 31, 2023 and 2022, respectively.

### (4) Marketing revenue

Each of the Company's franchised stores pay a marketing fee equal to 3.5% of gross sales less applicable taxes. These funds are used for advertising, promotion and various overall franchise system development expenses and to cover related administrative costs for the benefit of all True Society USA, Inc. stores. The marketing fee is payable monthly based on the gross revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month. The Company recorded franchise marketing fees of \$442,141 and \$337,055, which included revenue from related parties of \$181,225 and \$159,823 for the years ended December 31, 2023 and 2022, respectively.

### (5) Branded product revenue

The Company's franchised stores purchase additional supplies from the Company for brand-related items such as gift bags, hangers, and thank you cards that are used as part of every sale at each franchise location. The Company recorded branded product sales revenue of \$47,753 and \$48,068, which included revenue from related parties of \$38,250 and \$7,285 for the years ended December 31, 2023 and 2022, respectively.

### (6) Income taxes

Income tax expense is summarized as follows for the years ended December 31, 2023 and 2022:

|                             | 2023             | 2022             |
|-----------------------------|------------------|------------------|
| Deferred income tax expense | \$ 482           | \$ 1,878         |
| Current income tax expense  | 29,242           | 24,674           |
| Total income tax expense    | <u>\$ 29,724</u> | <u>\$ 26,552</u> |

A reconciliation of income tax expense for the Company, at the statutory rate for the years ended December 31, 2023 and 2022:

|                                      | 2023             | 2022             |
|--------------------------------------|------------------|------------------|
| Computed at the statutory rate (21%) | \$ 23,079        | \$ 18,058        |
| Increase resulting from:             |                  |                  |
| State income taxes                   | 4,111            | 4,803            |
| Permanent differences and other      | 2,052            | 1,813            |
| Current income tax expense           | <u>\$ 29,242</u> | <u>\$ 24,674</u> |

The below table reconciles between effective income tax rates for the year and the domestic federal statutory rate for the years ended December 31, 2023 and 2022 is shown below:

|                                       | 2023       | 2022       |
|---------------------------------------|------------|------------|
| Tax expense at federal statutory rate | 21%        | 21%        |
| State and local taxes                 | 4%         | 4%         |
| Effective rate                        | <u>25%</u> | <u>25%</u> |

TRUE SOCIETY USA, INC.

NOTES TO FINANCIAL STATEMENTS

(6) **Income taxes (continued)**

The tax effects of temporary differences related to deferred taxes shown on the balance sheet are as follows at December 31, 2023 and 2022, respectively:

|                                     | 2023            | 2022            |
|-------------------------------------|-----------------|-----------------|
| Deferred tax assets                 |                 |                 |
| Accrued interest to foreign parties | \$ -            | \$ 79           |
| Intangibles - start-up costs        | 5,003           | 5,406           |
| Net deferred tax asset              | <u>\$ 5,003</u> | <u>\$ 5,485</u> |

(7) **Subsequent events**

The Company has evaluated subsequent events through April 26, 2024, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.



**TRUE SOCIETY USA, INC.**

**FINANCIAL STATEMENTS**

Year ended December 31, 2022 and the period from May 17, 2021 to December 31, 2021





## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

**TRUE SOCIETY USA, INC.**

### *Opinion*

We have audited the financial statements of True Society USA, Inc. (the Company) which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, stockholder's equity and cash flows for the year ended December 31, 2022 and the period from May 17, 2021 through December 31, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of True Society USA, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and the period from May 17, 2021 through December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As described in Note 2 to the financial statements, the Company maintains certain agreements with related parties. These agreements include a debt agreement with the parent company, as well as agreements for services from a related party under common ownership. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about True Society USA, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of True Society USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about True Society USA, Inc.'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.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
April 26, 2023



TRUE SOCIETY USA, INC.

BALANCE SHEETS

December 31, 2022 and 2021

|                                                                                                 | <u>2022</u>       | <u>2021</u>       |
|-------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b><u>A S S E T S</u></b>                                                                       |                   |                   |
| CURRENT ASSETS                                                                                  |                   |                   |
| Cash                                                                                            | \$ 323,373        | \$ 302,917        |
| Accounts receivable                                                                             | 58,438            | 49,954            |
| TOTAL CURRENT ASSETS                                                                            | <u>381,811</u>    | <u>352,871</u>    |
| LONG TERM ASSETS                                                                                |                   |                   |
| Deferred income tax asset                                                                       | 5,485             | 7,363             |
| TOTAL ASSETS                                                                                    | <u>\$ 387,296</u> | <u>\$ 360,234</u> |
| <b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>                                              |                   |                   |
| CURRENT LIABILITIES                                                                             |                   |                   |
| Accounts payable                                                                                | \$ 31,308         | \$ 17,552         |
| Accrued liabilities                                                                             | 6,346             | 6,218             |
| Income taxes payable                                                                            | 30,317            | 5,605             |
| TOTAL CURRENT LIABILITIES                                                                       | <u>67,971</u>     | <u>29,375</u>     |
| LONG TERM LIABILITIES                                                                           |                   |                   |
| Long-term debt, related party                                                                   | 154,392           | 236,289           |
| TOTAL LIABILITIES                                                                               | <u>222,363</u>    | <u>265,664</u>    |
| STOCKHOLDER'S EQUITY                                                                            |                   |                   |
| Common stock, par value \$1, authorized 100,000<br>shares, issued and outstanding 10,000 shares | 10,000            | 10,000            |
| Additional paid-in capital                                                                      | 90,000            | 90,000            |
| Retained earnings (deficit)                                                                     | 64,933            | (5,430)           |
| TOTAL STOCKHOLDER'S EQUITY                                                                      | <u>164,933</u>    | <u>94,570</u>     |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY                                                      | <u>\$ 387,296</u> | <u>\$ 360,234</u> |

See Notes to Financial Statements



TRUE SOCIETY USA, INC.

STATEMENTS OF OPERATIONS

Year ended December 31, 2022 and the period from May 17, 2021 to December 31, 2021

|                                   | 2022       | 2021       |
|-----------------------------------|------------|------------|
| REVENUES                          |            |            |
| Royalty fees                      | \$ 274,093 | \$ 75,814  |
| Marketing fees                    | 337,055    | 88,449     |
| Branded product sales             | 48,068     | -          |
| TOTAL REVENUES                    | 659,216    | 164,263    |
| EXPENSES                          |            |            |
| Marketing                         | 394,572    | 80,036     |
| Branded product costs             | 38,246     | -          |
| Operating expenses                | 117,280    | 85,197     |
| TOTAL EXPENSES                    | 550,098    | 165,233    |
| INCOME (LOSS) FROM OPERATIONS     | 109,118    | (970)      |
| INTEREST EXPENSE                  | 12,203     | 6,218      |
| INCOME (LOSS) BEFORE INCOME TAXES | 96,915     | (7,188)    |
| INCOME TAX BENEFIT (EXPENSE)      | (26,552)   | 1,758      |
| NET INCOME (LOSS)                 | \$ 70,363  | \$ (5,430) |

See Notes to Financial Statements

**TRUE SOCIETY USA, INC.**

**STATEMENTS OF STOCKHOLDER'S EQUITY**

Year ended December 31, 2022 and the period from May 17, 2021 to December 31, 2021

|                            | <u>Common Stock</u> |                  | <u>Additional</u> | <u>Retained</u>  |                   |
|----------------------------|---------------------|------------------|-------------------|------------------|-------------------|
|                            | <u>Shares</u>       | <u>Amount</u>    | <u>Paid-In</u>    | <u>Earnings</u>  | <u>Total</u>      |
|                            |                     |                  | <u>Capital</u>    | <u>(Deficit)</u> |                   |
| Balance, May 17, 2021      | 10,000              | \$ 10,000        | \$ 90,000         | \$ -             | \$ 100,000        |
| Net loss                   | -                   | -                | -                 | (5,430)          | (5,430)           |
| Balance, December 31, 2021 | 10,000              | 10,000           | 90,000            | (5,430)          | 94,570            |
| Net income                 | -                   | -                | -                 | 70,363           | 70,363            |
| Balance, December 31, 2022 | <u>10,000</u>       | <u>\$ 10,000</u> | <u>\$ 90,000</u>  | <u>\$ 64,933</u> | <u>\$ 164,933</u> |

See Notes to Financial Statements

TRUE SOCIETY USA, INC.

STATEMENTS OF CASH FLOWS

Year ended December 31, 2022 and the period from May 17, 2021 to December 31, 2021

|                                                                                         | <u>2022</u>       | <u>2021</u>       |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                             |                   |                   |
| Net income (loss)                                                                       | \$ 70,363         | \$ (5,430)        |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: |                   |                   |
| Deferred income tax expense (benefit)                                                   | 1,878             | (7,363)           |
| Increase in operating assets                                                            |                   |                   |
| Accounts receivable                                                                     | (8,484)           | (49,954)          |
| Increase (decrease) in operating liabilities                                            |                   |                   |
| Accounts payable                                                                        | 13,756            | 23,157            |
| Income taxes payable                                                                    | 24,712            | -                 |
| Accrued liabilities                                                                     | 128               | 6,218             |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                                                | <u>102,353</u>    | <u>(33,372)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                             |                   |                   |
| Proceeds from issuance of related party debt                                            | -                 | 236,289           |
| Payments on related party debt                                                          | (81,897)          | -                 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES                                                | <u>(81,897)</u>   | <u>236,289</u>    |
| NET CHANGE IN CASH                                                                      | 20,456            | 202,917           |
| CASH, BEGINNING OF PERIOD                                                               | <u>302,917</u>    | <u>100,000</u>    |
| CASH, END OF PERIOD                                                                     | <u>\$ 323,373</u> | <u>\$ 302,917</u> |

See Notes to Financial Statements

## TRUE SOCIETY USA, INC.

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies

**Nature of operations** – True Society USA, Inc. (“the Company”) is a franchisor of retail bridal stores. As with most franchising, the revenue earned is a percentage of franchisee sales and a marketing fee. Marketing fees are primarily a pass through for expenses that are paid for the benefit of the franchisees in the system. As of December 31, 2022 and 2021, there were four and two third party franchised boutiques, respectively. As of December 31, 2022 and 2021, there were two affiliate-owned True Society boutiques. The Company's stores are located across the United States. Given the limited number of franchises in operation, accounts receivable balances and revenue were 100% concentrated with transactions with franchised boutiques and affiliate-owned boutiques as of and for the year ended December 31, 2022 and as of and for the period ended December 31, 2021.

**Basis of accounting** – The financial statements and related notes of the Company are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could materially differ from those estimates.

**Cash** – As of December 31, 2022, cash consisted of cash held in a Federal Deposit Insurance Corporation (“FDIC”) insured bank account. At times, the Company maintains deposits in excess of federally insured limits. At December 31, 2022, the balance in excess of this limit was \$73,373. Management monitors the soundness of financial institutions and feels the Company's risk of loss is negligible.

**Accounts receivable** – The Company grants credit to all qualified franchisees in the normal course of business. Accounts receivable do not accrue finance or interest charges. On a periodic basis, the Company evaluates its accounts receivable in order to estimate and establish an allowance for doubtful accounts based on history of past write-offs, collections and current conditions. An account is written off only when it is determined that all collection efforts have been exhausted. The Company generally has contracts with franchisees, limiting credit exposure; therefore, no allowance for doubtful accounts was established as of December 31, 2022 and 2021.

**Income taxes** – The Company accounts for income taxes in accordance with U.S. GAAP, which results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provision of the enacted tax law to the taxable income or excess of deductions over revenue. Deferred tax assets and liabilities are established for the temporary differences between the financial accounting and tax basis of the Company's assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company files income tax returns in the U.S. Federal and various state jurisdictions.

The Company's policy is to evaluate uncertain tax positions under guidance as prescribed by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Taxes*. As of December 31, 2022 and 2021, the Company had not identified any uncertain tax positions requiring recognition in the financial statements. In addition, there has been no interest or penalties recognized in the statement of operations. The Company began operations on May 17, 2021. Therefore, all activity is subject to U.S. federal, state, or local income tax examinations by tax authorities.

The Company applies an accounting policy election to classify interest expense related to income taxes and penalties as a component of income tax expense.

**Marketing expense** – The Company expenses marketing costs as they are incurred. Marketing expense was \$394,572 and \$80,036 for the year ended December 31, 2022 and the period ended December 31, 2021, respectively.



TRUE SOCIETY USA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

**Revenue recognition** – Revenue is recognized pursuant to ASC Topic 606, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. This principle is applied using the following 5-step process:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) each performance obligation is satisfied

The Company's revenue consists of fees earned from the licensing and marketing to franchisees that own and operate retail bridal store locations as well as sales of branded products to franchisees for brand-related items. Certain franchise agreements provide the ability for the Company to charge an initial fixed franchise fee, however no initial franchise fees have been charged to date for existing franchisees. The franchise agreements provide for the payment of a monthly information technology ("IT") fee, ongoing royalties based on a percentage of gross sales, and ongoing marketing fees based on a percentage of gross sales. Contracts also require a fixed renewal fee upon renewal of a franchise license, and include options for franchisees to purchase additional services, such as ad hoc training at hourly rates.

**IT services** – The Company provides franchisees with IT software in accordance with franchise contracts for solutions supporting their operations. In applying principal versus agent considerations under ASC Topic 606, the Company determined it is acting as an agent in the relationship as the software licenses provided to the franchisees are held at a related party, Essense of Australia, Inc. ("EOA"). As such, these revenues are recorded on a net basis.

**Franchise, marketing and pre-opening services** – The Company's contracts include ongoing royalty fees based on a percentage of gross revenue, marketing fees based on a percentage of gross revenue, and certain pre-opening services for new franchisees. The Company determined that all franchise agreements contain a single performance obligation, as preopening services and advertising are not sold on a standalone basis and are highly interrelated with the license of intellectual property ("IP") under the franchise agreement. The franchisee simultaneously receives and consumes the benefits as the Company performs over the five-year term of the agreement. Such amounts are recognized ratably over time based on the term of the franchise agreement or renewal, generally five years. The Company applies an exception provided by ASC Topic 606 specific to sales-based royalties, in which the Company is not required to estimate variable consideration at the onset of a contract when the royalties relate only to a distinct license of IP or when the license is the predominant item to which the royalty relates. The overall performance obligation is the franchise right (license), and therefore the Company recognizes revenue when the subsequent sales occur. The Company charges separate fees for marketing services based on a percentage of gross revenue. The services covered by these fees consist of marketing activities that are performed at the brand level and not on an individual franchisee basis. As such, these marketing promises are combined with the IP license because the marketing activities do not relate to the individual franchisee but generally enhance the value of the intellectual property included in the license.

**Options for additional services** – The Company's contracts include options for franchisees to purchase additional services, such as ad hoc training at hourly rates. The Company considers these promises to be satisfied at the time the additional services are provided, if requested by a customer. The Company had no such revenues during the year ended December 31, 2022 and the period ended December 31, 2021.

## TRUE SOCIETY USA, INC.

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

**Branded product sales** – During the year ended December 31, 2022, the Company began selling branded products to boutiques. Branded product items include True Society branded products as well as various products endorsed by the Company. Boutiques place orders for products via a website, and products are shipped by the Company to the boutique. The Company purchases products from a related party, EOA, for resale to boutiques. In applying principal versus agent considerations under ASC Topic 606, the Company determined it is acting as a principal in the relationship as the Company sets the price of products, obtains orders from the boutiques, and is responsible for providing all customer service. As such, these revenues are recorded on a gross basis. The Company considers these promises to be satisfied at the time control of the products transfers to the boutique, which is typically upon shipment.

The Company utilizes the following practical expedient for revenue recognition:

- When the Company transfers services to a customer and payment from the customer is expected within one year or less, a significant financing component is presumed not to exist.

**Adoption of new accounting standard** – The Company implemented the provisions of Accounting Standards Update (“ASU”) 2016-02, *Leases* (“Topic 842”) during the year ended December 31, 2022. The provisions were evaluated by management, and the Company determined the Company was not party to any leases which would meet the criteria as defined in ASC 842, and therefore the adoption of the standard did not have a material impact on the financial statements.

**Reclassifications** – Certain items in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Total equity and net income were not impacted by these reclassifications.

#### (2) Related party transactions

EOA is the U.S. distributor of gowns to True Society USA, Inc. franchisees and part of the WM Bridal Group GmbH, a collection of stand-alone operating entities under common ownership with the Company's sole stockholder. Agreements between the Company and EOA provide for sharing the costs of ongoing operations of certain expenses shared by the Company and EOA. The Company is obligated to pay fees and charges specified in these agreements estimated at \$18,885 annually. One agreement for accounting services will remain in place indefinitely until terminated and contains an early termination clause allowing the Company to terminate the agreement at any time provided a 30-day notice. Another agreement has a term extending through July 1, 2026 but contains an early termination clause allowing the Company to terminate the agreement at any time provided a 30-day notice. Amounts paid to EOA related to agreements between the Company and EOA for sharing the costs of certain expenses totaled \$18,885 and \$13,885 for the year ended December 31, 2022 and the period ended December 31, 2021, respectively. Marketing expense paid to EOA was \$394,572 and \$80,036 for the year ended December 31, 2022 and the period ended December 31, 2021, respectively. The Company had accounts payable of \$28,098 and \$16,002 to EOA at December 31, 2022 and 2021, respectively.

On June 24, 2021, the Company borrowed \$236,289 under a five-year term loan agreement with the Company's sole stockholder. The unsecured loan incurs interest at a rate of 5% annually and is payable in full no later than June 24, 2026. The outstanding balance was \$154,392 and \$236,289 as of December 31, 2022 and 2021, respectively.

Additionally, two of the six franchised stores are owned by True KC Brides, Inc., a related party through common ownership. See additional related party disclosures in Notes 3 through 5 below. The Company had accounts receivable of \$23,618 and \$25,314 due from True KC Brides, Inc. as of December 31, 2022 and December 31, 2021, respectively.



**TRUE SOCIETY USA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(3) Franchising revenue**

Each of the Company's franchised stores pay a royalty fee equal to 3% of gross sales less applicable taxes. The royalty fee is payable monthly, based on the gross revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month. The Company recorded royalty fees of \$274,093 and \$75,814, which included revenue from related parties of \$136,991 and \$67,112 for the year ended December 31, 2022 and the period ended December 31, 2021, respectively.

**(4) Marketing revenue**

Each of the Company's franchised stores pay a marketing fee equal to 3.5% of gross sales less applicable taxes. These funds are used for advertising, promotion and various overall franchise system development expenses and to cover related administrative costs for the benefit of all True Society USA, Inc. stores. The marketing fee is payable monthly, based on the gross revenue generated in the prior business month commencing on the first day of the month and ending on the last day of that month. The Company recorded franchise marketing fees of \$337,055 and \$88,449, which included revenue from related parties of \$159,823 and \$78,297 for the year ended December 31, 2022 and the period ended December 31, 2021, respectively.

**(5) Branded product revenue**

The Company's franchised stores purchase additional supplies from the Company for brand-related items such as gift bags, hangers, and thank you cards that are used as part of every sale at each franchise location. The Company recorded branded product sales revenue of \$48,068 and \$0, which included revenue from related parties of \$7,285 and \$0 for the year ended December 31, 2022 and the period ended December 31, 2021, respectively.

**(6) Income taxes**

Income tax (expense) benefit is summarized as follows for the year ended December 31, 2022 and the period ended December 31, 2021:

|                                       | 2022               | 2021            |
|---------------------------------------|--------------------|-----------------|
| Deferred income tax (expense) benefit | \$ (1,878)         | \$ 7,363        |
| Current income tax expense            | (24,674)           | (5,605)         |
| Total income tax (expense) benefit    | <u>\$ (26,552)</u> | <u>\$ 1,758</u> |

A reconciliation of income tax expense for the Company, at the statutory rate for the year ended December 31, 2022 and the period ended December 31, 2021 is shown below:

|                                      | 2022             | 2021            |
|--------------------------------------|------------------|-----------------|
| Computed at the statutory rate (21%) | \$ 18,058        | \$ 4,430        |
| Increase resulting from:             |                  |                 |
| State income taxes                   | 4,803            | 1,175           |
| Permanent differences                | 1,813            | -               |
| Current income tax expense           | <u>\$ 24,674</u> | <u>\$ 5,605</u> |

TRUE SOCIETY USA, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Income taxes (continued)

The below table reconciles between effective income tax rates for the year and the domestic federal statutory rate for the year ended December 31, 2022 and for the period ended December 31, 2021 is shown below:

|                                       | 2022 | 2021 |
|---------------------------------------|------|------|
| Tax expense at federal statutory rate | 21%  | 21%  |
| State and local taxes                 | 4%   | 4%   |
| Effective rate                        | 25%  | 25%  |

The tax effects of temporary differences related to deferred taxes shown on the balance sheet are as follows at December 31, 2022 and the period ended December 31, 2021, respectively:

|                                     | 2022     | 2021     |
|-------------------------------------|----------|----------|
| Deferred tax assets                 |          |          |
| Accrued interest to foreign parties | \$ 79    | \$ 1,554 |
| Intangibles - start-up costs        | 5,406    | 5,809    |
| Net deferred tax asset              | \$ 5,485 | \$ 7,363 |

(7) Subsequent events

The Company has evaluated subsequent events through April 26, 2023, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.



## **EXHIBIT D**

### **STATE SPECIFIC ADDENDA**

## **ADDITIONAL FDD DISCLOSURES REQUIRED BY 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.**

Section 31125 of the California Corporation Code requires us to give you a disclosure document, in the form and containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

~~SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR URL ADDRESS. OUR WEB SITE HAS NOT~~ [OUR WEBSITE IS INFO@TRUESOCIETY.COM](mailto:INFO@TRUESOCIETY.COM) AND IT HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

**Item 3, Additional Disclosure.** ~~The following statement is added to Item 3:~~

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

**Item 17, Additional Disclosure.** The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the Franchise. If the franchise agreements contain a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreement provides for application of the laws of Kansas. This provision may not be enforceable under California law.

The franchise agreement contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreement contains a provision requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery to

actual damages. Under California Corporations Code section 31512, this provision is not enforceable in California for any claims you may have under the California Franchise Investment Law.

You must sign a general release if you transfer the rights granted under the franchise agreement or if you renew your franchise under the franchise agreement. These provisions may not be enforceable under California Law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 - 20043).

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any statutory claim under the California Franchise Investment Law, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§ 2000 - 20043, are met independently without reference to this Addendum to the Disclosure Document

#### **ADDITIONAL FDD DISCLOSURES REQUIRED BY THE STATE OF MICHIGAN**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in ~~this act~~ [the Michigan Franchise Investment Act](#). This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration~~;~~ of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than ~~5~~five 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~~six 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.<sup>1</sup>

(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

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<sup>1</sup> Note: Despite paragraph (f) above, we intend to enforce fully any arbitration provisions contained in our Franchise Agreement and Development Rights Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude either party from enforcing an agreement to arbitrate.

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 DISCLOSURE ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding these Additional Disclosures shall be directed to the ~~Department~~Office of the ~~Michigan~~ Attorney General, ~~Consumer Protection~~Corporate Oversight Division, ~~670 Law~~G. Mennen Williams Building, ~~1<sup>st</sup> Floor~~, 525 West Ottawa Street, Lansing, Michigan 48913, (517) ~~373-7717~~335-7567.

#### **ADDITIONAL FDD DISCLOSURES REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

The Disclosure Document is amended as follows:

1. **Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from ~~\$221,226~~,000 to ~~\$600,808~~,000. This amount exceeds the franchisor's stockholders' equity as of December 31, ~~2022~~2023, which is ~~\$164,933~~245,110.

2. 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 grounds for default or termination stated in the Franchise Agreement or other agreements 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.

3. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any statutory claim under the California Franchise Investment Law, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

#### **ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF WASHINGTON**

The Disclosure Document is amended by the addition of the following:

Franchisees who receive financial incentives to refer franchise prospects to franchisors may be required to register as franchise brokers under the laws of the State of Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

You have the right to terminate the Franchise Agreement upon any grounds permitted by law.

RCW 19.100.180 RCW may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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 Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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

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

**Item 22, Additional Disclosures.** The following statements are added to Item 22:

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.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Additional Disclosure.



**ADDENDUM TO THE TRUE SOCIETY USA INC. FRANCHISE AGREEMENT  
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the True Society Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) is entered into by and between True Society USA Inc., a Kansas corporation (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ *[insert type of organization and delete these brackets]* formed in \_\_\_\_\_ *[insert state and delete these brackets]* (“Franchisee”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to Franchisee was made in the State of Washington; (B) Franchisee is a resident of the State of Washington; and/or (C) the Franchised Business will be located and/or operated, and/or all or part of the Protected Area will be located, in the State of Washington.
2. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede this Agreement in Franchisee’s relationship with Franchisor, including in the areas of termination and renewal of Franchisee’s franchise. There also may be court decisions that may supersede this Agreement in Franchisee’s relationship with the Franchisor, including in the areas of termination and renewal of Franchisee’s franchise.
3. The following sentence is added to the end of Section 20:  
  
Any general release shall not apply to any claims or liability arising under the Act.
4. You have the right to terminate this Agreement upon any grounds permitted by law.
5. In the event of a conflict of laws, the provisions of the Act shall prevail.
6. 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, Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.
7. A release or waiver of rights executed by Franchisee may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
8. Transfer fees are collectable to the extent that they reflect Franchisor’s reasonable estimated or actual costs in effecting a transfer.
9. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of 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 Franchisee under RCW 49.62.030 unless the independent contractor’s

earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

- 10.** RCW 49.62.060 prohibits Franchisor from restricting, restraining, or prohibiting Franchisee from (i) soliciting or hiring any employee of a franchisee of Franchisor or (ii) soliciting or hiring any employee of Franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.
- 11.** 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.
- 12.** Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by facsimile and any other electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Addendum as of the Effective Date identified below.

**FRANCHISOR:**

**TRUE SOCIETY USA INC.**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Effective Date: \_\_\_\_\_

**FRANCHISEE:**

**IF AN INDIVIDUAL:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## **EXHIBIT E**

### **OPERATIONS MANUAL TABLE OF CONTENTS**

## OPERATIONS MANUAL TABLE OF CONTENTS

Page Count – approximately ~~880~~990 pages

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[Bridal Live Smart Flows](#)  
[Bridal Live User Guide: Daily Operation](#)  
[Bridal Live User Guide: Initial Setup & Ongoing Administrative Process](#)  
[Bridal Store Operations](#)  
[Champagne Policy & Procedure](#)  
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[Fitting Rooms & Appointment Scheduling](#)  
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[Introducing True Society to Your Team & Managing the Change](#)  
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~~Bridal Live: Initial Set Up & Ongoing Administrative Processes~~  
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~~Product Knowledge, Essense~~  
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~~Product Knowledge, General Essense~~  
~~Product Knowledge, Martina Liana~~  
~~Product Knowledge, Martina Liana Customs~~  
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## EXHIBIT F

### LIST OF FRANCHISED LOCATIONS



**EXHIBIT F  
TO THE TRUE SOCIETY USA INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISED LOCATIONS**

Open as of December 31, 202~~2~~<sup>3</sup>

| <b><u>Name</u></b>         | <b><u>Phone number:</u></b> | <b><u>City</u></b> | <b><u>State</u></b> | <b><u>Address</u></b>                     |
|----------------------------|-----------------------------|--------------------|---------------------|-------------------------------------------|
| Scott and Shayna Clute     | 952-237-6860                | Mesa               | AZ                  | 1837 W Guadalupe Rd, Suite 115            |
| Susan Rosenberg            | 616-574-2802                | Grand Rapids       | MI                  | 4265 28 <sup>th</sup> Street SE, Suite C  |
| Amanda and Matthew Schmalz | 502-206-4852                | Beaverton          | OR                  | 3831 SW 117 <sup>th</sup> Avenue, Suite G |
| Amanda and Matthew Schmalz | 502-206-4852                | Portland           | OR                  | 918 SW Yamhill Street                     |

**LIST OF FRANCHISEES THAT HAVE SIGNED FRANCHISE AGREEMENTS BUT NOT YET  
OPENED AS OF DECEMBER 31, 202~~2~~<sup>3</sup>**

**NONE**

**(If you buy this franchise, your contact information may be disclosed to other buyers  
when you leave the franchise system.)**

## **EXHIBIT G**

### **LIST OF FORMER FRANCHISEES**

**EXHIBIT G  
TO THE TRUE SOCIETY USA INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF ~~CERTAIN~~ FORMER FRANCHISEES THAT LEFT SYSTEM IN PAST YEAR**

None.

**(If you buy this franchise, your contact information may be disclosed to other buyers  
when you leave the franchise system.)**

## **EXHIBIT H**

### **FORM OF GENERAL RELEASE**

## EXHIBIT H

### FORM OF GENERAL RELEASE

**THIS GENERAL RELEASE** (“Release”) is executed on \_\_\_\_\_ by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Guarantors”) as a condition of (1) transfer of the Franchise Agreement dated as of \_\_\_\_\_ (“Franchise Agreement”); or (2) exercise of a renewal term under the Franchise Agreement. Franchisee and Guarantors acknowledge that this Release is made in favor of and for the benefit of True Society USA Inc. (“Franchisor”).

**1. Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Releasors”) freely and without any influence forever release Franchisor and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, (collectively “Releasees”) from any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Releasor and any Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

**2. Risk of Changed Facts.** Franchisee and Guarantors understand that the facts underlying Release in Section 1 may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

**3. Waiver of Section 1542.** Further, Releasors expressly waive all right, protection, privilege and benefit under Section 1542 of the Civil Code of the State of California, which provides:

**1542        A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

*By signing this Release of All Claims, Releasors are giving up all rights under Section 1542 and any similar provision of any state.*

**4. No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Releasors are the sole owners of all Claims and rights released hereunder and that Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

**5. Covenant Not to Sue.** Franchisee and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Releasee with respect to any Claim released under Section 1.

**6. Complete Defense.** Franchisee and Guarantors: **(A)** acknowledge that the Release in Section 1 shall be a complete defense to any Claim released under Section 1; and **(B)** consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

**7. Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor and each Releasor.

**8. Miscellaneous.**

**A.** Franchisee and Guarantors acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

**B.** The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

**C.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Kansas. Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where Franchisor's principal offices are located. Franchisor will file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee resides or does business, or where the claim arose.

**D.** The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

**E.** The prevailing party in any suit to enforce the terms of this Release shall be awarded reasonable attorneys' fees.

**IN WITNESS WHEREOF,** Franchisee and Guarantors have executed this Release as of the date shown above.

**ATTEST:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:  
(IF FRANCHISEE IS AN ENTITY)**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**WITNESS:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**(IF FRANCHISEE IS AN INDIVIDUAL)**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Dated: \_\_\_\_\_

**WITNESS:**

\_\_\_\_\_  
[Signature]  
Print Name: \_\_\_\_\_

**GUARANTOR:**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Date: \_\_\_\_\_

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Florida, Hawaii, Kentucky, Indiana, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws if an effective date is noted below for the state:

| State                      | Effective Date                                      |
|----------------------------|-----------------------------------------------------|
| California                 | <del>May 24, 2023</del> <a href="#">[pending]</a>   |
| Michigan                   | <del>April 26, 2023</del> <a href="#">[pending]</a> |
| Virginia                   | <del>June 7, 2023</del> <a href="#">[pending]</a>   |
| <a href="#">Washington</a> | <a href="#">[pending]</a>                           |



**EXHIBIT I**  
**TO THE TRUE SOCIETY USA INC.**  
**FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**

## RECEIPT

This disclosure document summarized certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If True Society USA Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or grant or, if you live in New York, at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. 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. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If True Society USA Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

|                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Attn: Martine T. Harris  |                          |                          |                          |
| True Society USA Inc.    |                          |                          |                          |
| 15500 W 113th Street     |                          |                          |                          |
| Lenexa, KS 66219         |                          |                          |                          |
| (913) 374 0278           |                          |                          |                          |

Issuance Date: -April 26, ~~2023~~2024. See Exhibit A for our registered agent authorized to receive service of process.

I have received a disclosure document dated April 26, ~~2023~~2024 that included the following:

|                                                                               |                                                 |
|-------------------------------------------------------------------------------|-------------------------------------------------|
| Exhibit A – List of State Administrators and Agents<br>for Service of Process | Exhibit E – Operations Manual Table of Contents |
| Exhibit B – Franchise Agreement                                               | Exhibit F – List of Franchised Locations        |
| Exhibit C – Financial Statements                                              | Exhibit G – Former Franchisees                  |
| Exhibit D – State Specific Addenda                                            | Exhibit H – Form of General Release             |
|                                                                               | Exhibit I – Receipts                            |

Date \_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee

Printed Name

Individually and as an officer, partner, member or manager of \_\_\_\_\_, a  
\_\_\_\_\_ organized under the laws of \_\_\_\_\_.

You may return one copy of this receipt either by signing, dating, and mailing it to True Society USA Inc., 15500 W 113th Street Lenexa, KS 66219.

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