

## FRANCHISE DISCLOSURE DOCUMENT



THE CLOSET TRADING CO.

®

### THE CLOSET TRADING COMPANY FRANCHISING, LLC

a Wyoming limited liability company  
714 State Street  
Santa Barbara, California 93101  
(844) 793-8083  
[www.theclosettradingco.com](http://www.theclosettradingco.com)  
[franchise@theclosettradingco.com](mailto:franchise@theclosettradingco.com)

As a franchisee, you will operate a The Closet Trading Co.® branded store that buys and sells women's designer fashion to and with the public in a beautiful boutique environment.

The total investment necessary to begin operation of a The Closet Trading Co. store franchise ranges from \$137,400 to \$350,300. This includes \$62,500 to \$67,500 that must be paid to the franchisor or an affiliate.

The franchisor may also, in its sole discretion, grant the right to develop multiple The Closet Trading Co. stores under an area development agreement. If you are granted the right to develop multiple stores, the total investment necessary to obtain such rights depends on how many stores you agree to develop. You must pay a development fee to the franchisor according to the following schedule: \$40,000 for your first store, \$25,000 for your second store, and \$15,000 for each additional store. You must pay the entire development fee upon execution of the area development agreement and no additional initial franchise fee will be due for the stores developed pursuant to the area development agreement. The typical number of The Closet Trading Co. stores that we anticipate franchisees will purchase pursuant to an area development agreement is between two and five. The total investment necessary for rights to begin development of this number of The Closet Trading Co. stores ranges from \$65,000 to \$110,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Taylor Lambert at 714 State Street, Santa Barbara, California 93101, (844) 793-8083.

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.

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## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 Exhibit E.
<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 F 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 The Closet Trading Co. 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 franchisor 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's it like to be a The Closet Trading Co. franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<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.

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

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

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

## MICHIGAN STATE COVER PAGE

### THE CLOSET TRADING COMPANY FRANCHISING, LLC

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

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. 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.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six-months advance notice of franchisor's intent not to renew the franchise.
5. 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.
6. 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.
7. 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.
8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (3).
9. 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.

If our most recent financial statements are unaudited and show a net worth of less than \$100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our pre-opening obligations to provide real estate, improvements, equipment, inventory, training, or other items including in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to the State of Michigan Consumer Protection Division, Attn: Franchise Bureau at 525 West Ottawa Street, G. Mennen Williams Building, 7th Floor, Lansing, MI 48933 or by telephone at (517) 373-7117.

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### **EXHIBITS**

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

To simplify the language in this Disclosure Document (the “Disclosure Document”), “we,” “us,” “The Closet Trading Co.,” “Franchisor,” or like terms means The Closet Trading Company Franchising, LLC, the franchisor, and “you” or “Franchisee” means the person or entity that buys the franchise. If an entity is the Franchisee, “you” includes Franchisee’s owners.

### **The Franchisor, Parents, Affiliates and Predecessors**

We are a Wyoming limited liability company, formed on January 25, 2019, and we conduct business under the name The Closet Trading Co. We maintain a principal office address at 714 State Street, Santa Barbara, California 93101. Our telephone number is (844) 793-8083. We began selling franchises in 2019. We do not do business under any other name and have no other business activities.

Our parent company is Luca B. Styles, a California corporation. Its principal business address is 714 State Street, Santa Barbara, California 93101. From 2003 to 2009 a predecessor store branded as “The Closet” operated as a sole proprietorship in Santa Barbara. In 2009 when Luca B. Styles was formed the store rebranded as “The Closet Trading Co.” Luca B. Styles operated The Closet Trading Co. from 2009 to March 2019 when, pursuant to a corporate reorganization, the stores and related operations were assigned to our affiliate, The Closet Trading Company, LLC.

The Closet Trading Company, LLC, a California limited liability company, is our affiliate. Its principal business address is 714 State Street, Santa Barbara, California 93101. The Closet Trading Company, LLC currently operates four The Closet Trading Co. locations. The Closet Trading Company, LLC also supplies inventory to franchisees, through consignment or sale, that is used in TCTC Stores.

The Closet Trading Company IP, LLC, a Wyoming limited liability company, is our affiliate. Its principal business address is 714 State Street, Santa Barbara, California 93101. The Closet Trading Company IP, LLC, owns the intellectual property, including the Marks and the System (both as defined below) necessary to operate a The Closet Trading Co. retail consignment store and licenses the rights to us pursuant to a license agreement of perpetual duration dated March 21, 2019.

We do not have any other parents or predecessor entities. Other than as set forth above, no parent or affiliate provides products or services to our franchisees or offers franchises in the same or any other line of business.

### **Agent for Service of Process**

Our agent for service of process in Wyoming, the state of our organization, is First Corporate Solutions, Inc., 1912 Capitol Avenue, Ste. 500, Cheyenne, Wyoming 82001. Our agent for service of process in California is Johanna Zlenko, 714 State Street, Santa Barbara, California

93101. Certain state regulatory agencies require that we designate a state agency as agent for service of process, and these agencies are listed on Exhibit A.

### **Description of the Franchise Offered**

Our franchisees are independent owners and operators of a franchise business operating a The Closet Trading Co. branded retail consignment store (a “TCTC Store” or “Store”) from a single approved location. TCTC Stores operate using a unique retail consignment system (the “System”) to buy and sell gently used women’s designer fashion clothing, accessories, and related products (the “Products”) to and with the public in a beautiful boutique environment. The System is characterized by our business formats, signs, equipment, methods, procedures, interior and exterior designs, store layouts, color schemes, sales techniques, merchandising standards, and specifications, including the use of the name and service mark “The Closet Trading Co.,” as well as other trademarks, trade names, service marks, logos, and other commercial symbols we designate for use by Stores (all referred to as the “Marks”) and any trade dress, all of which we may change. We have the right to license and franchise the System and Marks to franchisees pursuant to a license agreement with our affiliate, The Closet Trading Company IP, LLC.

Each TCTC Store will operate a retail consignment business under the Marks in accordance with the System and the terms of our franchise agreement (“Franchise Agreement”). A copy of the Franchise Agreement is attached to this Disclosure Document as Exhibit B.

We also grant area developer rights to qualified franchisees who may then develop multiple Stores within a defined area over a specific time period according to a pre-determined development schedule. These area developers must sign the area development agreement (the “AD Agreement”) and may open Stores directly or through approved controlled affiliates. You will be required to sign our then-current franchise agreement for each Store you open and operate pursuant to the AD Agreement. The AD Agreement is included as Exhibit C to this Disclosure Document.

### **Market and Competition**

The market for the goods and services offered by a TCTC Store is well developed. As a The Closet Trading Co. franchisee you will operate as part of the circular economy in the retail fashion industry, a growing segment of the market. TCTC Stores will compete with a wide variety of national and local businesses, including retail fashion and consignment stores that buy and sell women’s designer clothing and accessories and other similar types of stores. The market in which you will operate is affected by general economic conditions.

### **Laws and Regulations**

Each Store’s business is subject to federal, state, and local laws and regulations and may require franchisees to obtain business, occupational, retail, and miscellaneous licenses. You should also be aware of federal, state, and local employment laws and regulations, specifically including minimum age and wage requirements, the Americans with Disabilities Act and data protection and privacy laws.

In addition to laws and regulations that apply to businesses generally, some states and local governments have laws or regulations specific to a consignment business that regulate the purchase and resale of used products.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Johanna Zlenko – Chief Executive Officer**

Johanna has been our Chief Executive Officer in Santa Barbara, California since our inception in January 2019. Johanna helped develop “The Closet” concept in our Santa Barbara location in 2003 and eventually rebranded and founded The Closet Trading Co. in 2009 and has served as the President of Luca B. Styles since its inception in 2009. Johanna has also served as Chief Executive Officer of The Closet Trading Company, LLC in Santa Barbara, California since its inception in January 2019.

### **Taylor Lambert – Chief Operating Officer**

Taylor has been our Chief Operating Officer in Santa Barbara, California since our inception in January 2019 and is responsible for creating and communicating our operations vision and strategy, including training, on-boarding, marketing and inventory management. Taylor has also been the Chief Operating Officer of The Closet Trading Company, LLC since its inception in January 2019 and of Luca B. Styles from January 2017 to January 2019 where she performs similar functions for corporate TCTC Stores in Santa Barbara, California.

## **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**

### **Initial Franchise Fee**

The initial franchise fee is \$40,000 and must be paid in full in one lump sum, by wire transfer or other method designated by us, when you sign the Franchise Agreement. The initial franchise fee is payment, in part, for expenses incurred by us to furnish assistance and services to you, as set forth in the Franchise Agreement, and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. The initial franchise fee is uniform, is deemed fully earned upon payment, and is not refundable.

### **Initial Training Fee**

You must also pay us an initial training fee of \$2,500, which will cover the cost of training associated with up to two individuals attending our initial training program as outlined in Item 11. The initial training fee does not cover costs and expenses incurred in attending the initial training program, including but not limited to, travel, lodging, meals, and salary expenses. The initial training fee is due upon receipt of an invoice from us, approximately thirty days before the initial training begins. Initial training will not commence until the initial training fee is paid in full. The initial training fee is deemed fully earned and non-refundable upon receipt.

### **Inventory**

Prior to opening your Store, you will be required to purchase an initial inventory of Products. We anticipate that approximately 90% of your opening and ongoing inventory will be on consignment. Your inventory of Products can be obtained from multiple sources, including from us or our affiliate, vendors, or the local community. We will consign to you 850 items of inventory before opening and up to 50 additional items per month in the first year of your operation of the Store. You will also be required to source a minimum of 300 consigned items from third parties. A minimum of 100 consigned items from third parties must be collected before opening, and a minimum of 200 items from third parties must be collected within the first 30 days of business. After opening, if you are unable to secure the inventory needed to comply with the required inventory of Products (as set forth in the Brand Standards Manual) , you must consign the needed inventory from us, or, if you are unable to otherwise obtain the inventory through consignment, you must purchase the inventory from our affiliate, The Closet Trading Company, LLC. These required purchases will range from \$0 to \$5,000, depending on the amount of inventory you are able to secure from other sources. You will pay the fee for any initial inventory of Products in a lump sum payment. You will also pay for all shipping and delivery costs for any inventory sourced from The Closet Trading Company, LLC. The fee for the initial inventory of Products is not refundable.

### **Database Management, Point-of-Sale, and Computer System**

You must pay us a fee of \$20,000 to compensate us for the ongoing management, during the entire term of the Franchise Agreement, of our proprietary database used in the operation of your Store (as further described in Item 11) and for the purchase of the required point-of-sale and computer equipment needed to operate a TCTC Store, including computers, printers, label printers, scanners, and cash drawers. This fee is due upon execution of the Franchise Agreement. This fee is deemed fully earned and non-refundable upon receipt. You will also pay us the monthly costs associated with the point-of-sale software that is determined by the point-of-sale service provider. The point-of-sale service provider will be selected by us in our sole discretion.

### **Development Fee**

We may offer you the right, in our sole discretion, to develop multiple TCTC Stores pursuant to an AD Agreement upon payment of a development fee. The development fee you must pay is determined by the number of TCTC Stores you agree to develop according to the following schedule: \$40,000 for the first Store, \$25,000 for the second Store, and \$15,000 for each additional Store. The development fee is equal to the initial franchise fee for each TCTC Store

you agree to develop, and you will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the TCTC Stores developed pursuant to the AD Agreement. The development fee is fully earned upon payment and is not refundable.

## ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
<b>Royalty</b>	5% of Gross Sales	Monthly by electronic funds transfer, on or before the 5 <sup>th</sup> day of each month for the previous calendar month	See Note 1 below for a definition of Gross Sales
<b>Technology Fee</b>	Currently 1% of Gross Sales; Up to 3% of Gross Sales	Monthly by electronic funds transfer, on or before the 5 <sup>th</sup> day of each month for the previous calendar month	See Note 2
<b>Advertising Fund</b>	Currently 1% of Gross Sales; Up to 5% of Gross Sales	Monthly by electronic funds transfer, on or before the 5 <sup>th</sup> day of each month for the previous calendar month	See Note 3
<b>Email Fees</b>	No more than \$5.00 per month for each TCTC branded email addresses needed for operating the Store beyond the two TCTC branded email addresses provided by us.	Monthly by electronic funds transfer, on or before the 5 <sup>th</sup> day of each month for the previous calendar month	We will provide you with a TCTC email address for the Store and for you or an owner (if you are an entity). You will need to pay the Email Fee for any additional email address needed for (i) any additional owner, all store managers, or employees that will be communicating with customers on behalf of the Store.
<b>Point-of-Sale Fees</b>	Currently \$305 per month for the services provided by the Point-of-Sale vendor.	Monthly by electronic funds transfer, on or before the 5 <sup>th</sup> day of each month for the previous calendar month	
<b>Renewal Fee</b>	\$10,000	Payable in lump sum at the time you execute your renewal franchise agreement	See Note 4
<b>Non-Compliance Fee</b>	\$50 per day per deviation from contractual requirement plus actual, reasonable expenses	Within five days after notification from us that the fee is being charged	

Type of Fee	Amount	Due Date	Remarks
	incurred related to ensuring compliance, if applicable		
<b>Late Payment Fee</b>	\$50 per week for each delinquent payment	Upon receipt of notification from us that the fee is being charged	
<b>Insufficient Funds Fee</b>	Actual fees incurred by us related to insufficient funds in your designated bank account.	Upon receipt of invoice from us	
<b>Interest</b>	1.5 % per month or the greatest amount allowed under applicable law, whichever is less	Upon receipt of notification from us that the fee is being charged	All past due amounts will be subject to interest, accruing from the due date at the rate of 18% per annum or the greatest amount allowed under applicable law, whichever is less.
<b>Reimbursement of Taxes</b>	An amount necessary to cover any taxes and related costs and expenses imposed upon or paid by us to ensure that the payment is equal to the amount we would have otherwise received.	Upon receipt of notification from us.	This fee applies if any tax or fee (other than federal or state income tax) is imposed on us due to our receipt of fees from you under the Franchise Agreement.
<b>Initial Training</b>	Initial training for up to two individuals is included in the initial training fee, at least \$500 per day per additional person being trained	Prior to commencement of training	All individuals must attend training at the same time. Any individuals attending a later training will be required to pay a fee for additional training.
<b>Additional Training</b>	Our then-current fee for the training provided; currently \$500 per trainer per day	Upon receipt of invoice from us.	We may require additional training and will charge a reasonable fee for providing such training. You may request from us additional training or assistance that will be provided by us at a time and place designated by us for our then-current fee for the type of training provided.
<b>Testing and Approval of Suppliers</b>	Reasonable costs and expenses of testing	Upon receipt of invoice from us	If you request permission to purchase or sell items from any unapproved supplier, you must pay us the reasonable

Type of Fee	Amount	Due Date	Remarks
			costs and expenses for review of a supplier and/or testing of products.
<b>Audit</b>	Cost of financial audit	Upon receipt of the audit report	You must pay the costs of the audit or inspection if the audit shows that the royalties paid to us have been underpaid by more than 2%. You must also immediately pay any deficiency in fees paid along with interest on such amount at a rate of 1.5% per month or the maximum amount allowed under applicable law, whichever is less.
<b>Relocation Fee</b>	Reasonable costs and expenses of us related to the relocation	Upon receipt of invoice from us	If you are allowed to relocate you must reimburse us for our costs incurred during the relocation process, including those required to help you construct and develop the Store at the new site in full compliance with our System. All relocations must be complete, and the Store must be open at the new location within 90 days of our approval of such request or we may terminate the Franchise Agreement upon notice to you.
<b>Transfer Fee</b>	25% of our then-current initial franchise fee.	Payable before or upon final closing of transfer	You must meet our conditions for approval of any transfer.
<b>Interim Management Fee</b>	\$500 per day per representative plus our costs of travel, meals and lodging actual reasonable overhead expenses incurred by us related to management of the Store	As incurred	Incurred if we are required to run your franchise temporarily due to your death, incapacity or unexcused absence.
<b>Costs and Attorneys' Fees, Indemnification</b>	Will vary under circumstances	Upon occurrence	If we prevail in any proceeding, arbitration or litigation against you, you must pay the costs and attorneys' fees incurred. You also have indemnification obligations to us. Depending on the circumstances, you may pay these costs and fees to

Type of Fee	Amount	Due Date	Remarks
			attorneys and other third parties, or reimburse us.
<b>National or Regional Conferences</b>	Our then-current fee per attendee	Prior to convention	You must attend all regional or national conferences and meetings that we designate as mandatory. We will designate the locations for these meetings and may charge a conference fee. In addition, you are responsible for all travel and living expenses and all other costs associated with your attendance.
<b>Marketing Materials</b>	Cost of materials purchased	As incurred	We may make available to you marketing plans and promotional materials, including coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct-mail materials, community relations programs, and similar marketing and promotional materials for use in local store advertising.

Except as noted above, all fees are payable to us. These fees are non-refundable. Unless noted, all fees payable to us or an affiliate are uniformly imposed. If we or an affiliate do not actually receive your payments and the reports we designate on the due date, they will be deemed delinquent.

1. **“Gross Sales”** means the total amount of all revenues received by you from the sale of goods and services, including, but not limited to, all revenues from internet sales or sales at or off the premises, including at any kiosk booth, temporary location or offsite event, whether for cash or by check, credit card, trade, or otherwise, in connection with your Store, less customer refunds and returns and any sales tax or any other indirect tax on the supply of goods and services collected from customers and paid to appropriate tax authorities. Gross Sales also excludes revenue derived from selling or issuing system gift or loyalty cards, although revenue you derive from sales to customers who use such cards for payment will be included in Gross Sales.
2. You must pay us a monthly technology fee for costs incurred in developing and maintaining The Closet Trading Co. website and investments in technology for brand and system technology improvements. The current technology fee is 1% of your Gross Sales. We reserve the right to increase this fee to 3% of Gross Sales.



3. We administer a system-wide advertising fund (see Item 11) for all TCTC Stores. As of the date of this Disclosure Document, you are required to contribute 1% of your Gross Sales to this fund on a monthly basis. We may increase the required contribution to 5% of your Gross Sales.
4. If you qualify and desire to renew your Franchise Agreement, you will be required to execute a franchise agreement in our then-current form that may include terms that are different than those found in your current Franchise Agreement. You may also be required, at your expense, to reasonably renovate, remodel, redecorate, re-fixture or otherwise refurbish your Store to make it consistent with the then current standards and appearance of new TCTC Stores.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Initial Franchise Fee</b>	\$40,000	Lump Sum	Upon signing Franchise Agreement	Us
<b>Initial Training</b> (Note 1)	\$4,500 - \$5,500	Lump sum, as incurred	30 days prior to training and as incurred during training	Us, airlines, hotels, and restaurants
<b>Lease for Premises</b> (Note 2)	\$2,000 - \$12,500	As agreed with landlord	Upon signing lease or as agreed with landlord	Landlord
<b>Improvements for Store Build Out</b> (Note 3)	\$15,000 - \$75,000	As agreed with the contractors and suppliers providing labor or materials	As incurred	Various independent contractors and suppliers
<b>Equipment and Fixtures</b> (Note 4)	\$15,000 - \$50,000	As agreed with the suppliers providing equipment	As incurred	Various suppliers
<b>Signage</b> (Note 5)	\$5,000 - \$25,000	As agreed with suppliers	As incurred	Various suppliers
<b>Opening Inventory</b> (Note 6)	\$2,500 - \$5,000	As agreed with suppliers	As incurred	Us and suppliers
<b>Shipping for Opening Inventory</b> (Note 6)	\$1,000 - \$5,000	As agreed with carriers	As incurred	Various suppliers
<b>Supplies</b>	\$500 - \$2,500	As agreed with suppliers	As incurred	Various suppliers
<b>Licenses, Permits, Deposits and Prepaid Expenses</b>	\$500 - \$1,000	Lump sum	Before opening	Utility companies, suppliers, and government agencies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
(Note 7)				
<b>Grand Opening</b> (Note 8)	\$5,000 - \$10,000	As agreed with suppliers	As incurred	Advertising agencies, suppliers, various media outlets
<b>Professional Fees</b> (Note 10)	\$500 - \$7,000	Lump sum or as arranged by providers	As incurred	Attorneys, accountants, and other consultants
<b>Insurance (3 months)</b> (Note 11)	\$900 - \$1,800	Lump sum or installments, as determined by insurance carriers	Prior to opening	Insurance carriers
<b>Database Management, Point of Sale System, Computer Hardware and Software Fee</b> (Note 12)	\$20,000	Lump sum	At initial training	Us
<b>Additional Funds (3 months)</b> (Note 13)	\$25,000 - \$90,000	Lump sum, as incurred	As incurred	Employees, suppliers, utilities and other vendors
<b>Totals</b>	\$137,400 - \$350,300			

We have based the estimates provided in the tables above upon our experience in establishing and operating our affiliated TCTC Stores. You should review these figures carefully with a business adviser before making any decision to enter into a Franchise Agreement.

The estimates in the table above assume that you are developing a single TCTC Store. All payments you make to us are non-refundable unless otherwise stated. Payments you make to parties other than us or an affiliate may be refundable at the option of the other party. The estimates in the tables above do not include royalty fees payable to us during the operation of your Franchise since these fees are payable out of the Gross Sales of your Store.

1. You must pay the initial training fee of \$2,500 to us for up to two individuals to attend the initial training program. In addition, you must pay all travel and living expenses for all parties attending training in connection with your Franchise. These expenses include airline tickets, car rental, gas, meals, hotel rooms, entertainment and salaries.
2. A TCTC store is typically located in strip shopping centers or malls and is approximately 1,000 – 1,400 square feet in size. If you do not own adequate retail space, you must lease or purchase the location for your Store. The estimated cost outlined are based on you leasing the premises and includes any security deposit and the first month of rent. You will make rental payments to the landlord that will vary greatly from site to site and are affected by a number of factors, including location, size, visibility, accessibility, and

competitive market conditions. Lease security deposits are typically due upon signing and can potentially be refundable if you do not default on your lease. Depending on the real estate market in your area, you may be able to negotiate for a certain number of free months' rent and/or to negotiate the rent security deposit. Your lease may also require you to pay the last month's rent in advance. All franchisees are required to sign an assignment of lease to us in the event of expiration or termination of the Franchise Agreement. If you purchase the location, your costs may vary substantially based on the terms of your purchase.

3. These estimates include construction costs (labor and material) for typical build out and remodeling to prepare a site for operation of a TCTC Store, including general contractor fees, materials, and leasehold improvements. Our typical build out requires flooring, painting, fitting rooms, doors, and other hardware, though the necessary improvements may vary depending on your location, the condition of the premises and the changes necessary to meet our standards. We must approve your plans and specifications before you begin construction. These estimates do not include lease costs. Your actual construction costs will depend on numerous factors, such as the condition of the premises, duration of the building process (delays), contractors' fees, availability of materials and equipment, interest rates and the insurance coverage you choose.
4. This estimate includes all initial equipment and fixtures for your Store, such as displays, décor, counters, racks, seating, and other equipment used in the operation of your Store. The costs may vary somewhat depending on the size and layout of your Store.
5. This estimate includes all exterior and interior signage for your Store. In addition to meeting our specifications, all signs must comply with your landlord's requirements and local laws or regulations.
6. This estimate includes opening inventory of clothing and accessories. You must have certain specified inventory levels on hand prior to opening for business and all inventory must meet our specifications. We anticipate that approximately 90% of your inventory will be on consignment, however, you may purchase or consign this inventory from local sources. Your inventory of Products can be obtained from multiple sources, including from us or our affiliate, vendors, or the local community. We will consign to you 850 items of inventory before opening and up to 50 additional items per month in the first year of your operation of the Store. You will also be required to source a minimum of 300 consigned items from third parties. A minimum of 100 consigned items from third parties must be collected before opening, and a minimum of 200 items from third parties must be collected within the first 30 days of business. After opening, if you are unable to secure the inventory needed to comply with the required inventory of Products (as set forth in the Brand Standards Manual) , you must consign the needed inventory from us, or, if you are unable to otherwise obtain the inventory through consignment, you must purchase the inventory from our affiliate, The Closet Trading Company, LLC. You are responsible for all shipping charges for any inventory consigned from us and must pay all costs of shipping directly to the applicable carrier.

7. You may be required to pay a security deposit or other deposits for utilities and suppliers. Deposits for utility services are typically required at the time the service is applied for and may or may not be refundable. You must confirm all of the specific deposits required. The amount for licenses and permits can vary significantly, and you should verify specific amounts with local authorities.
8. Our experience shows that the expenses related to a grand opening fall between \$5,000 to \$10,000 but may be higher. We may provide you with certain materials or other items related to the grand opening that you will be required to use.
9. You may find it necessary to retain an attorney to review the franchise related documents, real estate lease or sublease, or to assist in forming an entity such as a corporation, partnership, limited liability company or other entity. You may also retain an accountant for advice in establishing and operating your franchise business and filing necessary tax forms and returns. You may also engage other consultants related to the operation of the Store.
10. We require you to obtain and keep in force certain insurance coverages, with us named as an additional insured on each policy.

Your real estate lease may also impose additional requirements for insurance coverage. The first table above contains the estimated cost of required insurance coverage for a three month start-up period; however, the cost of insurance varies, depending upon the insurance company you select, lease requirements, variances in the cost of insurance by location, and other factors. Whether insurance premiums are refundable depends on individual insurance carriers and the terms of the insurance policies.

11. You are required to pay us an initial fee for the access to and use of our proprietary database (See Item 11) as well as the purchase of our point-of-sale system, software, and hardware. You must purchase the hardware and computer package from us. This cost does not include monthly subscription fees or merchant processing fees that you must pay directly to us and that we will then pay to our designated suppliers.
12. This amount represents the estimated range of your initial start-up expenses over the entire first three months of operation. These figures include estimated payroll costs but excludes a draw or salary for the owner during this time.

**YOUR ESTIMATED INITIAL INVESTMENT  
(AD AGREEMENT)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Development Fee</b> (Note 1)	\$65,000 - \$110,000	Lump Sum	Upon signing AD Agreement	Us
<b>Totals</b> (Note 2)	\$65,000 - \$110,000			

The amounts payable to us are nonrefundable.

1. Your development fee will vary, depending on the number TCTC Stores that you agree to develop under your AD Agreement. The development fee is equal to \$40,000 for the first Store, \$25,000 for the second Store, and \$15,000 for each additional Store. The development fee is equal to the initial franchise fee for each TCTC Store you agree to develop, and you will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the TCTC Stores developed pursuant to the AD Agreement. The typical number of TCTC Stores that we anticipate in any given AD Agreement is between two and five. As an example, if you agree to open four Stores, your development fee would be \$95,000.
2. The total numbers do not include the cost to open a TCTC Store. You will incur costs when opening each TCTC Store you commit to develop under your AD Agreement. Please refer to the first table above in this Item 7 for the estimated investment related to opening a TCTC Store.

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

To maintain quality and uniformity among all TCTC Stores, you must at all times maintain and comply with our quality standards and specifications as designated in our brand standards manual (“Brand Standards Manual”) and through other communications with you. You will offer for sale all categories of clothing and accessories we designate and such items must meet our specifications, as described below. You may not sell any items at the Store that do not meet our specifications and standards.

**Required Purchases and Suppliers**

You are required to obtain certain products and other items from us, our affiliates, or from sources we approve, as outlined below. You must purchase the computer system hardware used at the Store from us, and we are the sole approved supplier of these items. These items include computers, printers, label printers, receipt printers, scanners and cash drawers. We will make a profit on these purchases. Other products for use in The Closet Trading Co. Stores including certain equipment, clothing and accessories must be purchased from our affiliates or approved third party suppliers. We restrict the source of these items to protect trade secrets and other intellectual property rights, assure quality, assure a reliable supply of products meeting our

standards, achieve better purchase terms and delivery service and to control use of the Marks by third parties.

We reserve the right to require that you purchase from us, our affiliates or other third party approved suppliers other products as well as other required furniture, fixtures, supplies, and equipment.

### **Purchases According to Specifications**

All inventory and other items we require for which no approved supplier is designated may be purchased from any supplier that satisfies our standards and specifications, as contained in the Brand Standards Manual and other written or electronically transmitted materials that we or an affiliate furnish to you. These specifications cover quality, brand, appearance, and related specifications and may be modified upon written notice to you. In some instances, you must purchase items that comply with our reasonable determination of whether they meet the standards and comport with The Closet Trading Co. brand and image as communicated to you by us from time to time. You must maintain certain minimum inventory of certain categories of products that will be offered for sale. Many of these items will be gently used clothing and accessories purchased or consigned from customers, other individuals, or, in certain circumstances, from us or our affiliates.

If we have not provided specifications, you may purchase any items that reasonably meet the requirements of the business, however, we reserve the right to disapprove of a vendor whose performance and products fall below our standards and specifications.

You, at your cost, must have all your employees comply with our dress code (if so designated by us) while at work in accordance with our specifications, which we can modify periodically.

The site as well as the design and layout of the Store must be completed according to our standards and specifications and the sample plans provided by us. You are responsible for adapting or modifying the sample plans to comply with all applicable laws, but we must review and approve all final construction plans and specifications before you begin constructing the Store. You must receive our approval of all contractors, designers or architects prior to performance of work at the premises of the Store. Our review is only to ensure your compliance with our design requirements. You are ultimately responsible for ensuring that your design meets all applicable laws. Once the Store is constructed, we must approve the premises prior to opening as well as any renovations or changes to the premises.

All advertising and promotion by you must be in the media and of the type and format as we may approve, must be conducted in a dignified manner, and must conform to the standards and requirements we specify. Please see Item 11 under the heading "Advertising" for information about the procedure to obtain our approval for advertising and promotional materials prepared by you.

In addition, you must obtain and maintain, at your own expense, the insurance coverage we periodically specify and satisfy other insurance-related obligations, including naming us as an additional insured on your policies. Current requirements are as follows: (a) comprehensive

general liability insurance, contractual liability, broad form of property damage, products liability with amounts of \$1,000,000 per occurrence and \$2,000,000 in the aggregate bodily injury, and \$50,000 property damage; (b) goods, fixtures, furniture, equipment, and other personal property located at the premises for the full replacement value; and (c) workers' compensation insurance in the amount required under applicable law and employers liability insurance of no less than \$1,000,000 per accident for bodily injury, \$1,000,000 per employee for bodily injury by disease and no less than \$1,000,000 for bodily injury by disease. Your corporate and dba must be listed on the certificate of insurance and must name us as an additional insured. If we request, you must provide us with copies of all policies and endorsements. Despite the above, we may change the required insurance coverage, including the terms, conditions, and coverage amounts, at any time and for any or no reason.

### **Alternative Suppliers**

We reserve the right to add or remove approved suppliers for any item that you are required to purchase. You will be provided a list of our approved suppliers, which will be updated from time to time. We evaluate, approve, or disapprove suppliers based on suppliers who demonstrate to us with continued reasonable satisfaction: (i) an ability to meet our standards and specifications, (ii) possess adequate quality control and the capacity to supply our franchisees' needs promptly and reliably, and (iii) who have been approved by us in our manuals or otherwise in writing. If you would like us to approve a different supplier, you are required to submit to us a written request to approve a proposed supplier together with such information as we may reasonably require, including financials, total sales figures, written references, etc. We also reserve the right to require that our representative be permitted to inspect the suppliers' facilities and that samples from the supplier be delivered for our evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable cost of the evaluation and testing is required to be paid by you whether or not the supplier is approved. We will notify you in writing of our approval or disapproval of the proposed supplier and the criteria for our approval and disapproval within 30 days after our receipt of your request and completion of the evaluation and testing. We may revoke approval for a supplier at any time upon 30 days' notice to you.

### **Franchisor Support and Benefits**

We or our affiliates may receive revenue from any of the above described purchases and may profit from the sale and distribution of items sold to you. Our total revenue from all sources in our last fiscal year was \$229,197, and the revenues from required purchase and lease of required products and services by franchisees was \$29,355 for the same period, or 12.8% of our total revenues. In 2023, our affiliate, The Closet Trading Company, LLC had revenues of \$0 from required purchases or leases of products and services by our franchisees.

The cost of required purchases, including inventory and equipment purchased in accordance with our specifications represents 31% to 61% of your total purchases in connection with the establishment of your franchise and 9% to 19% of your cost in continuing your operations. These figures are based on our costs for the company-owned locations.

As of the date of this Disclosure Document we do not receive rebates from any suppliers, however, we reserve the right to receive rebates from designated suppliers in the future.

We will negotiate purchase arrangements with potential suppliers, including price, at our discretion for your benefit. We do not provide our franchisees with material benefits, such as the right to purchase additional franchises or to renew based on your use of a supplier designated by us.

At the present time, there are no purchasing or distribution cooperatives.

## 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.**

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Franchise Agreement Section 6; also see Exhibit A, Authorized Location and Protected Territory  AD Agreement Section 3(B)	Items 7, 11 and 12
b. Pre-opening purchases/leases	Franchise Agreement Sections 6(D), 8(B), 8(D), and 10  AD Agreement Not Applicable	Items 7 and 8
c. Site development and other pre-opening requirements	Franchise Agreement Sections 6, 7(A), and 8(B)  AD Agreement Section 3(B)	Items 7 and 11
d. Initial and ongoing training	Franchise Agreement Sections 4(B) and 7(D)  AD Agreement - Not Applicable	Items 5, 6, 7, 11, and 15
e. Opening	Franchise Agreement Sections 6(E), 7(B) and 8(B)  AD Agreement Section 3(C)	Item 11
f. Fees	Franchise Agreement Sections 2(B)(7), 4, 5, and 14(C)  AD Agreement Section 5	Items 5, 6, 7, 11, and 17
g. Compliance with System Standards and policies/Operating Procedures Manual	Franchise Agreement Sections 1(A), 3(B), 3(D), 5(D)-(G), 6, 7(E) and 8  AD Agreement Section Not Applicable	Items 8, 11, 13, 14, and 16



Obligation	Section in Agreement	Disclosure Document Item
h. Marks and proprietary information	Franchise Agreement Sections 3 and 9; also see Exhibit D, Non-Disclosure and Non-Competition Agreement  AD Agreement Section 6	Items 13, 14, and 17
i. Restrictions on products/services offered	Franchise Agreement Section 8(D), 8(F), and 8 (G)  AD Agreement Section Not Applicable	Items 8 and 16
j. Warranty and customer service requirements	Franchise Agreement Sections 8(E), 8(H), 8(M) and 8(N)  AD Agreement Section Not Applicable	Item 11
k. Territorial development and sales quotas	Franchise Agreement Section 15(A)(16)  AD Agreement Sections 2(A) and 3(C)	Items 12 and 17
l. Ongoing product/service purchases	Franchise Agreement Sections 8(D), 8(F) and 8(G)  AD Agreement Section Not Applicable	Items 8 and 11
m. Maintenance, appearance, and remodeling requirements	Franchise Agreement Sections 6(B), 6(D), 6(E), 8(H), 8(J) and 8(K)  AD Agreement Section Not Applicable	Items 8, 11 and 17
n. Insurance	Franchise Agreement Section 10  AD Agreement Section Not Applicable	Items 7 and 11
o. Advertising	Franchise Agreement Sections 5 and 8(B)  AD Agreement Section Not Applicable	Items 7, 8 and 11
p. Indemnification	Franchise Agreement Sections 3(G), 8(N) and 12  AD Agreement Section Not Applicable	Items 6 and 13
q. Owner's participation/management/staffing	Franchise Agreement Sections 8(A) and 8(N)	Items 11 and 15

Obligation	Section in Agreement	Disclosure Document Item
	AD Agreement Section 2(A)	
r. Records and reports	Franchise Agreement Section 13 AD Agreement Section 4	Item 6
s. Inspections and audits	Franchise Agreement Sections 7(E) and 13(C) AD Agreement Section Not Applicable	Items 6 and 11
t. Transfer	Franchise Agreement Section 14 AD Agreement Section 10(B)	Item 17
u. Renewal	Franchise Agreement Section 2(B) AD Agreement Section Not Applicable	Item 17
v. Post-termination obligations	Franchise Agreement Sections 17, 18(B) and 20 AD Agreement Section 8	Item 17
w. Non-competition covenants	Franchise Agreement Sections 18, also see Exhibit D, Non-Disclosure and Non-Competition Agreement AD Agreement Not Applicable	Item 17
x. Dispute resolution	Franchise Agreement Sections 3(G), 18(C), 19 and 21(D) AD Agreement Section 10(A)	Item 17
y. Other	Not Applicable	Not Applicable

## ITEM 10. FINANCING

We do not currently offer any direct or indirect financing to Franchisees, but we may do so at any time in the future. We do not guarantee any lease, note, or obligation for any franchisee.

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

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

### Assistance Before Opening:

1. **Site Selection.** We must approve the site for your Store. The site must be approved within 120 days after execution of the Franchise Agreement, or the agreement may be terminated by us. This period may be extended upon timely request up to an additional 60 days provided you have been earnestly searching for a suitable premises. We will approve your site location within a reasonable period of time and will not unreasonably withhold approval provided that the site meets our minimum standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, median income, competition from other businesses providing similar services or products in the area, proximity to other businesses, any exclusivity granted to other franchises, the nature of other businesses in proximity to the premises and other commercial characteristics, and size, appearance and other physical characteristics of the premises. You should take adequate time to investigate, review, and analyze independently the any potential site location, the building in which it is contained, the market area, and all other relevant facts. We do not locate the site or negotiate the purchase or lease of the site, although we must approve your lease. (Franchise Agreement, Section 6(A)).
2. **Plans and Specifications.** We will provide you with general specifications for store layout, signs, equipment and interior décor on which to model the plans to build out your Store. It is your responsibility to comply with all applicable laws and regulations. (Franchise Agreement, Section 6(B)).
3. **Approval of Premises.** We will make a final inspection of the premises to verify that it is in compliance with our standards and specifications. If the premises of the Store does not meet our standards and specifications, you will not be allowed to open for business. (Franchise Agreement, Section 6(E)).
4. **Suppliers and Products.** We will provide you with a list of specifications and a list of approved or designated suppliers of The Closet Trading Co. inventory, equipment, supplies, logoed items, and other items. We do not offer assistance in delivery or installation of any of these items (Franchise Agreement, Section 8(D)).
5. **Initial Training.** We provide you with an initial training program for up to two individuals once you have signed the Franchise Agreement as part of the initial training fee provided that all individuals must attend training at the same time. These individuals include one owner with at least 20% ownership and a manager, if designated. Any individuals not attending training at the same time must pay our then-current fee for such training. Additional individuals may attend the initial training if approved by us and upon payment of our-then current fee for this training program. As described in Item 7, you must pay the costs of your own travel, lodging, meals and all other living costs and

expenses incurred due to any training programs (Franchise Agreement, Section 7(A)). This training is described in detail later in this Item 11.

6. **Grand Opening and Opening Assistance.** We will provide you with at least two days of training and opening assistance in-store at your location at around the time of opening (Franchise Agreement, Sections 7(B) and 8(B)).

### **Assistance During Operation:**

1. **Brand Standards Manual.** We provide you electronic access to the Brand Standards Manual, which covers the operational procedures of your TCTC Store, including customer relations, inventory management, hands-on operation, bookkeeping, and other operational procedures inclusive of all aspects of operation. You must ensure that access to the Brand Standards Manual is limited to those individuals that must have access to perform their duties, as we further designate. We will update the Brand Standards Manual from time to time. (Franchise Agreement, Section 8(H)).
2. **Ongoing Assistance.** We will, upon your request, provide general guidance relating to the operation of your TCTC Store and make ourselves reasonably available to consult with you during regular business hours (Franchise Agreement, Section 7(D)).
3. **Prices.** We may provide recommended pricing from time to time for overall system consistency, and reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. We will also specify our recommended consignment commissions and cost related to the acquisition of inventory. (Franchise Agreement, Section 8I).
4. **Administrative, Bookkeeping and Accounting.** You are required to use our specified accounting system in your TCTC Store. You will contract directly with the third-party provider of the system, must keep the system up to date and must pay all fees related to the acquisition, licensing and necessary updates to the system. (Franchise Agreement, Section 8(P)).
5. **Inventory Management.** It is your responsibility to maintain optimal inventory levels in your Store. We will provide you with an optimal range and you must maintain at least the minimum levels of inventory we specify. As part of the System, we will provide you with inventory control procedures, recommended consignment incentives and related information necessary to manage inventory based on seasonality and other factors we determine based on our and our affiliates' experience. (Franchise Agreement, Section 8(D)).
6. **Additional Training.** We may, in our discretion, provide additional training or refresher programs for any personnel. You may request additional training from us. We will designate the location of such training and charge our then current additional training fee. If we provide training at your Store, you must also pay our expenses for transportation,

food and lodging of each instructor. You are also responsible for such expenses for your attendees. (Franchise Agreement, Section 7I(C)).

7. **Advertising.** We will administer the advertising fund and other marketing related services and standards for advertising, marketing, and public relations programs we deem appropriate. (Franchise Agreement, Section 5).

### **Time to Open**

Your Store must be open within 12 months from the date you sign the Franchise Agreement. This time period may be extended by an additional 60 days if you timely request an extension in writing and have diligently pursued opening. The time it takes to open the Store may vary depending upon factors such as the weather, the location and condition of the site, your ability to obtain any necessary financing and building, zoning or other permits and approvals, construction delays, completion of required training and so forth. Also, you may not open your Store for business until: (i) we approve the Store for opening; (ii) initial training has been completed to our satisfaction; (iii) the initial franchise fee and all other amounts then due to us have been paid in full; (iv) the lease documentation has been signed and all other documentation for development of your Store has been completed; and (v) we have been furnished with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums we require. (Franchise Agreement, Section 6(E)).

### **Advertising**

We are not required to spend any amount of advertising in the area or territory where any particular TCTC Store is located. We will provide you a specific webpage on our website for your location. We will develop and provide to you a grand opening campaign that you will be required to follow. You must host a minimum of two consignment-focused events as part of the grand opening campaign. These events can be held on site at your Store or off-site at a location approved by us. We will maintain the brand website and administer the advertising fund, once instituted. We have no other obligation to conduct advertising.

You are required to allocate and spend at least 1% of your Gross Sales for local advertising, marketing and promotion programs. (Franchise Agreement, Section 5(A)).

We may provide you with copies of advertising, marketing and promotional formats and materials for use in your Store, which you must purchase from us. (Franchise Agreement, Section 5(D)).

You may develop advertising and promotional materials for your use at your cost. All such materials must be approved by us in advance in writing. Any advertising you create becomes our property and may be used by us or our other franchisees (Franchise Agreement, Sections 3(C) and 5(G)). You may not create a website, social media site, or engage in advertising on the internet without our prior written approval (Franchise Agreement, Section 5(E)).

You and all other franchisees must contribute to the advertising fund in an amount up to 5% of Gross Sales per month. As of the date of this Disclosure Document, you are required to

contribute 1% of your Gross Sales per month. All franchisees contribute the same percentage. Outlets that we or our affiliates own contribute to the advertising fund on the same basis as franchisees. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request. In 2023, we used 100% of the advertising fund for website development and maintenance and search engine optimization. If not all marketing funds are spent in any fiscal year in which they accrue, the money will remain in the advertising fund to be spent in the next year. No money from the advertising fund will be spent principally to solicit new franchise sales. (Franchise Agreement, Section 5(B)).

As of the issuance date of this Disclosure Document, we do not form, organize, maintain or otherwise make use of advertising cooperatives, nor do we require you to join one. We have the right, however, in the future, to form, organize, maintain and otherwise make use of local or regional advertising cooperatives based on the media markets or other geographical criteria that we deem appropriate. We have the power to require cooperatives to be formed, changed, dissolved, or merged. If instituted, you may be required to contribute up to 5% of your Gross Sales to such cooperative. All contributions to a cooperative will reduce the amount you are required to spend on local advertising. If our own locations are members of a cooperative, they must contribute to the fund on the same basis as franchisees. We will administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review as no cooperatives have been created. Cooperatives will be required to prepare unaudited financial statements which will be available for review only by us and by the members of cooperative. (Franchise Agreement, Section 5(C)).

### **Database and Point of Sale System/Computer System Requirements**

We provide you access to our proprietary database necessary for the operation of the business and we maintain this database with up-to-date information related the Products you will purchase and sell at your location. With new fashion brands constantly emerging on the market, actively managing the database is necessary to the success of TCTC Stores. The database will be updated regularly and ensures that the proprietary pricing tool is current, accurate and relevant.

We require you to purchase and use our approved computer system, including computers, printers, label printers, receipt printers, scanners, cash drawers, and all necessary hardware for the operation of your TCTC Store (“Computer System”), and you must purchase these items from us.

You must also use in your TCTC Store our designated point of sale (“POS”) system as upgraded or modified. You must obtain service contracts and pay monthly service and access fees to our designated POS system service provider.

You must pay us a fee of \$20,000 to compensate us for access to and our continued maintenance of our proprietary database as well as the purchase of our required Computer System and POS. The ongoing monthly service and access fee for our designated POS provider is currently \$309

per month and is paid directly to the provider. This ongoing fee covers the access, use, maintenance, and updates or upgrades to the POS.

We also require that you have high-speed Internet access at your Store premises in order to electronically submit to us Gross Sales and financial statement reports for your Store, and to allow us to access information directly from your POS and Computer System. Currently, you may use any Internet service provider that provides high speed access the Internet. In addition, we require you to use our designated credit card processor and to establish and maintain a valid email address, and you authorize us to communicate with you via e-mail at that address.

We have the right to require you in the future to purchase, install and use a different Computer System or POS, and to designate in the future the supplier or suppliers (which may be or include us) from whom you must purchase these items. You must purchase, install and begin using any required computer hardware and software in your Store within 60 days of our notice to you. We have the right to require you, at your sole expense to upgrade any required computer hardware and software to meet our then-current standards and specifications. There is no limitation on the frequency and cost of this requirement. We also have the right to independently access the information and data you collect and gather using any required computer hardware and software or any other system used to record sales whether on or off premises, and there is no limitation on our right to access this information. (Franchise Agreement, Section 8(P)).

### **Brand Standards Manual**

The table of contents of our Brand Standards Manual is attached as Exhibit D. It contains 99 total pages. (Franchise Agreement, Section 8(I)).

### **Training**

Before the Store opens for business, you or your managing owner, and a manager, if required because your managing owner will not be involved in the Store's on-site, day-to-day operation, must successfully complete our initial training program. Up to two total individuals approved by us are welcome to attend the full training program for no additional cost provided that both individuals attend the same initial training at the same time. There generally are no limits on the number of people whom you may send to initial training, however, you must pay our then current training charge for each additional person after the first two people or for any individual that does not attend the first initial training at the same time as the other individuals. You must also pay all travel and living expenses that all attendees incur, including your employees' wages and workers' compensation insurance, while they attend any applicable training. You are responsible for providing training to your employees who do not attend our training program.

Initial training includes an online remote training program as well as a 5-day training program at our headquarters in the Los Angeles, California area, a designated training facility, or at another operating TCTC Store. Although we intend to provide the 5-day training program in person, we reserve the right to conduct all or part of that portion of the initial training online, if we determine necessary in our sole discretion. If you or the required attendee does not successfully complete the initial training, we may terminate the Franchise Agreement. Training will occur after you sign the Franchise Agreement and while you are developing the Store, approximately

four to 12 weeks before the anticipated opening date of the Store. We will provide additional on-site training and assistance over at least two days at your location around the time of opening. We may require you to attend training similar to the initial training every five years.

We distribute training materials, including our Brand Standards Manual or materials from the manual and other information relevant to the topics presented and the operation of a TCTC Store, at various times during the training course. The training program is taught by Johanna Zlenko who has over 19 years of experience with The Closet Trading Co. and in the retail industry; Taylor Lambert, who has 16 years of retail experience and has been involved with The Closet Trading Co. Stores for 15 years; and Rebecca Fraser, who has 14 years of experience in retail and 12 years of experience with The Closet Trading Co. Other of our employees may also participate and assist in providing and conducting aspects of the training program.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of “On the Job Training”	Location
General Business	2	2	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store and/or online.
Daily Operation	2	2	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Point-of-Sale System	5-6	5-6	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Customer Service	2	2	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Financial Management	1	1	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.



Subject	Hours of Classroom Training	Hours of "On the Job Training"	Location
Human Resources	1	1	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Inventory Management	4-6	4-6	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Inventory Buying	12	12	Our headquarters in the Los Angeles, California area, a designated training facility and/or at an operating TCTC Store, and/or online.
Merchandising	2	8	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Marketing	2	2	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
Real Estate	1	1	Our headquarters in the Los Angeles, California area, a designated training facility, at an operating TCTC Store, and/or online.
<b>TOTAL</b>	34-37	40-43	

## ITEM 12. TERRITORY

### **Franchise Agreement**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will, however, receive the territorial protections set forth in this Item. Unless you have entered into an Area Development Agreement, you have no options, rights or first refusal or similar rights to acquire additional franchises in any other locations.

You must operate the Store at the designated location specifically authorized in the Franchise Agreement and at no other location. You will not receive an exclusive territory. The size and scope of the protected territory will be set out in the Franchise Agreement but will generally be a two-to-three-mile radius around the authorized location. The exact size of the protected territory will be determined by us based on demographics and population density, among other factors. Except as described below, during the term of the Franchise Agreement, we will not establish, operate or license any other person to operate a Store in your protected territory. We do not have the right to modify your protected territory without your approval, but you must comply with the terms of the Franchise Agreement or we will have the right to terminate the Franchise Agreement. Your territorial protection does not depend on your achieving minimum sales volumes or other factors, other than compliance with the Franchise Agreement, however, as described below, if you fail to maintain certain minimum Gross Sales levels the Franchise Agreement may be terminated.

You may, with our prior written approval, operate kiosks, booths, or similar temporary locations at locations approved by us. You are not granted any specific protected or exclusive area with respect to the operation of such locations off of your approved premises and we reserve the right, within any Protected Territory, to open ourselves or grant other franchisees the rights to operate temporary locations or any non-traditional locations, including locations within another business, airports, convention centers, hospitals, military bases, stadiums or arenas, or similar locations where the primary purpose of the consumer's visit is likely to be for other than to purchase goods from a TCTC Store. You must submit to us the precise details of its plans to operate any such kiosk or booth, and our approval of such a location may be revoked at any time.

You may only use your Store, any approved kiosk, booth or temporary location, your approved social media account, our ecommerce platform ([www.theclosettradingco.com](http://www.theclosettradingco.com)), and The Closet Trading Co. outlet stores to sell or cross-list your inventory for sale. You must opt-in to use our ecommerce platform and to sell inventory via The Closet Trading Co. outlet stores. If you opt-in to sell on our ecommerce platform, you must agree to our ecommerce standards and requirements set forth in our Brand Standards Manual. Any failure to comply with such standards and requirements will result in suspension of access to our ecommerce platform until you have been retrained on use of the ecommerce platform, at our sole discretion. If you opt-in to selling through The Closet Trading Co. outlets, you will be responsible for the preparation (including tagging, transporting, and shipping costs) of the inventory and any and all back-end accounting with respect to your consignment account. Each of these channels of distribution may be subject to additional requirements as outlined in our Brand Standards Manual, which may be amended in our sole discretion. We may send home delivery orders placed online for delivery to

locations that are not within your protected territory or the protected territory of any other TCTC franchisee to any company-owned or franchised TCTC Store, as we determine in our discretion. You may not use alternate channels of distribution (including, without limitation, catalogs, telemarketing, direct marketing, digital marketplaces, resale sites, resale apps, resale stores, consignment stores, clothing swaps, flea markets, garage and yard sales, swap meets and thrift stores) to solicit sales outside of your authorized location.

Continuation of your rights to operate a TCTC Store is dependent on you maintaining a minimum Gross Sales level after the first three years of the initial term of your Franchise Agreement. That level is, for any two consecutive calendar quarters, 50% of the average gross sales of all franchised and company-owned locations in your region. A region generally consists of the state in which you operate. If the Franchised Business is the only one in its region, then the standard for calculating average Gross Sales will be 50% of your business's Gross Sales for the prior year. If you fail to maintain that level of gross sales, it is a default under your Franchise Agreement, and we have the right to terminate your Franchise Agreement with notice but without an opportunity to cure.

You may not relocate your Store unless the relocation is a result of condemnation, the exercise of a relocation right by your landlord or for some other reason approved by us in writing. We may condition our approval of any proposed relocation request on (i) the new site and its lease being acceptable to us, (ii) you paying a reasonable relocation fee (as set forth in the Brand Standards Manual or other communications to franchisees), (iii) you reimbursing our costs incurred during the relocation process, including those required to help you construct and develop the Store at the new site in full compliance with our System, (iv) you confirming that the Franchise Agreement remains in effect and governs the operation of your Store at the new premises with no change in the term or, at our option, signing our then-current form of franchise agreement to govern your operation of the Store at the new premises for a new franchise term, (v) you signing a general release, in a form satisfactory to us, of any and all claims against us or its owners, affiliates, officers, directors, employees, and agents (except for our indemnification obligations), (vi) you continuing to operate the Store at the approved premises until we authorize its closure, and (vii) you taking, within the timeframe we specify and at your expense, all action we require to de-brand and de-identify the former premises.

### **Development Agreement**

You will be granted a specified development area (the "Development Area") under your AD Agreement. Provided you are in compliance with the AD Agreement, all Franchise Agreements, and all other agreements with us, we will not develop or offer to sell franchises to third parties within the Development Area for a specified development period outlined in the AD Agreement (the "Development Period") that will be determined based on the number of TCTC Stores that you agree to develop. After the Development Period or upon termination of the AD Agreement, your right to the Development Area terminates, the Development Area is no longer protected in any way and you will not have any protected or exclusive area. You will not receive any exclusive territory regarding soliciting customers. We do not have the right to modify your Development Area without your approval, but you must comply with the development schedule or we will have the right to terminate your AD Agreement.

Typically, your Development Area will be a geographic area with a specific radius (three, five or ten miles), or a specific city, county, zip code or other political subdivision depending on the development obligation and the factors listed below. We reserve the sole right to determine your Development Area before you sign your AD Agreement. We may use site availability, demographics, population density, income levels and your ability to develop TCTC Stores within your Development Area, among other factors.


**General**

Except as described above with respect to the AD Agreement, we and our affiliates may (i) franchise, license and/or own and operate TCTC Stores at any location and on any terms and conditions we or an affiliate deem appropriate; (ii) sell and license and franchise others to sell Products and any other products or services through all distribution channels outside of your premises; and (iii) franchise, license and/or own and operate businesses at any locations, and on any terms and conditions we or an affiliate deem appropriate, or distribute products or services through alternative channels of distribution which are similar to the Products or services offered at TCTC Stores. These activities may compete with you and may be under another trade name, trademark, service mark, trade dress or other commercial symbol owned by us or an affiliate. Neither we nor our affiliates currently operate, franchise or have any plan to operate, or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

**ITEM 13. TRADEMARKS**

Under the Franchise Agreement, we grant you the right to operate a TCTC Store under The Closet Trading Co. name and Marks. You may also use the Marks, as approved by us, in or with your TCTC. Store. The Closet Trading Company IP, LLC is the owner of the Marks and licenses to us the right to use the Marks and to sublicense the right to use the Marks. The license agreement with The Closet Trading Company IP, LLC is dated March 21, 2019 and, subject to the terms of the agreement, is of perpetual duration. There are no limitations on our use of the Marks.

The following are the principal Marks registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

<b>Principal Trademark</b>	<b>Registration No.</b>	<b>Registration Date</b>
The Closet Trading Co.	5826290	August 6, 2019
TCTC	5851522	September 3, 2019
	5826321	August 6, 2019

Principal Trademark	Registration No.	Registration Date
	5812512	July 23, 2019

All required affidavits have been filed with the USPTO. The Closet Trading Company IP, LLC intends to file renewal applications for the Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable standards, specifications, operating procedures and rules that we require.

You must use all Marks in strict compliance with our System and the Brand Standards Manual. You must file for an assumed or fictitious name or DBA in the state where your Store is located. You may not use any Mark as part of any corporate or trade name, or in any modified form, including on any sites on the Internet or world wide web, as an Internet domain name, as part of an electronic mail address, or in any social media site without prior written approval from us. You must display all Marks in the manner we require and use the “™” symbol with respect to any of the Marks that have not yet been registered and the registration symbol “®” in using any of the registered Marks. You must refrain from any business or marketing practice which may be injurious to our business and the good will associated with the Marks or TCTC Stores. We have the right to require you to modify or discontinue use of any Mark or use one or more additional or substitute trade or service marks at your cost if we determine that it becomes advisable at any time. You may not contest, directly or indirectly, our right and interest in the Marks and may not make any application for registration of any of the Marks, or any other trademark, service mark, symbol, name, slogan, logo, trade name or any item similar thereto without our written consent. Any goodwill associated with the Marks and System belongs exclusively to us.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark. We and our affiliates have the right to take the action we deem appropriate and to exclusively control any litigation, USPTO proceeding or any other administrative or court proceeding concerning any Mark. At our option, we or our affiliates are entitled to defend and control the defense of any proceeding arising out of your authorized use of any Mark. You must sign any instruments and documents, render assistance and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or otherwise to protect and maintain our interests in the Marks. We will indemnify you against all damages for which

you are held liable in any proceeding arising out of your authorized use of any Mark in compliance with the Franchise Agreement, provided that you have timely notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement.

We do not know of any infringing uses that could materially affect your use of the Marks.

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

Except as noted below, we and our affiliates do not own any patents or copyrights which are material to the franchise or your operation of a Store. As of the date of this Disclosure Document, there are no patents or copyrights registered or pending, and no patent applications that are material to the franchise.

We claim copyrights in the Brand Standards Manual, construction plans, specifications and materials, printed advertising, promotional, sales, training and management materials and in related items you will use in operating your Store. We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office or any court regarding any copyright. There are no agreements currently in effect which significantly limit our rights to use or franchise the copyrighted materials nor are there any superior prior rights or infringing uses known to us which could materially affect your use of the copyrighted materials in any state.

Your right to use the copyrights is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement, the System, and all applicable standards, specifications, operating procedures and rules that we require. We have the right to require you to modify or discontinue use of any of the materials in which we claim copyrights if we determine that it becomes advisable at any time. In that case, you must comply with our directions to modify or discontinue the use of those materials within a reasonable time after notice from us.

You must immediately notify us if you learn that any person may be using our copyrighted materials without our consent or authorization. You must also immediately notify us of any challenge to your use of any copyright or claim by any person of any rights in any copyright. We and our affiliates have the right to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Copyright Office proceeding or any other administrative proceeding concerning any copyright. You must sign any instruments and documents, render assistance and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Copyright Office or other proceeding or otherwise to protect and maintain our interests in the copyrights. We are not required to defend or indemnify you for expenses or damages if you are a party to any administrative or court proceeding concerning any copyright.

We also own the Confidential Information (as defined in Section 9 of the Franchise Agreement) and claim copyrights in the Confidential Information. The Confidential Information includes trade secrets such as inventory buying and management and other information regarding the System and is our proprietary information. The Confidential Information required to operate the Store will be communicated to you, but you will not acquire any interest in any Confidential

Information, other than the right to utilize Confidential Information disclosed to you in operating your Store during the term of the Franchise Agreement. You may only use the Confidential Information as outlined in the Franchise Agreement and must limit the disclosure of Confidential Information to individual who need to know to perform their duties.

If you develop any improvements or additions to the Marks, System, copyrighted materials, or any other trade name, trade or service marks, logos or commercial symbols related to the System, you must fully disclose those changes to us and obtain our written approval before implementing any such changes. Any of these changes may be used by us and all other franchisees without any obligation to compensate you. You must also assign to us all rights, title and interest in the changes, including the right to license any of the changes and the right to apply for our own copyrights, trademarks, patents or other similar or related rights in the changes. We may also authorize you, at our discretion, to utilize any changes developed by other franchisees.

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

### **Franchise Agreement**

You must have at least one individual who has successfully completed our initial training program personally manage and operate the Store. Although a trained individual does not need to physically be at the premises at all times in which the Store is open to the public, a manager who has completed the training must manage the day-to-day operation of the Store and assure that such operation is in accordance with the System and the Franchise Agreement. The person who is responsible for the day-to-day supervision of the Store must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with such obligations. If your approved and trained manager is terminated or leaves the Store, you must have another individual who has successfully completed our initial training program in place within 90 days of the prior manager leaving employment.

You must obtain covenants from all owners, if you are an entity, and all individuals with managerial responsibility at the Store. These covenants will concern maintaining the confidentiality of our Confidential Information and an agreement not to compete with the Store or any other business operated under the System using the Marks. This non-disclosure and non-competition agreement is included as Exhibit D to the Franchise Agreement.

In addition, if you are a legal entity, each shareholder, partner or member owning, directly or indirectly, at least 5% of the beneficial ownership interest in the entity must personally guarantee your obligations under the Franchise Agreement. This guarantee is included as Exhibit E to the Franchise Agreement.

### **AD Agreement**

You must be diligent in using your abilities and available means when exercising your development rights and fulfilling your obligations under the AD Agreement. You may not subcontract or delegate any of your obligations under the AD Agreement.

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

In operating your Store, you may offer for sale only those product lines and services that we approve for you to sell and that meet our specifications. You must maintain the required inventory and offer for sale all product lines and services that we approve. Your Store must remain open for at least our minimum specified hours. The Brand Standards Manual explains the Products that you are authorized to offer at your Store and the specifications. You may not offer or sell any products or services not authorized by us in writing.

We have the right to change the types of authorized products and services you may offer and sell at your particular Store and there are no limits on our right to make changes.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Franchise Agreement Section 2(A)  AD Agreement Section 1(B)	10 years from the date the Store opens for business to the public.  Term ends on opening date of last TCTC Store covered by Development Schedule or on the last day listed on the Development Schedule
b. Renewal or extension of the term	Franchise Agreement Section 2(B)  AD Agreement Not Applicable	You have the right to renew for one additional 10 year term, if you are not in default and meet our renewal conditions.
c. Requirements for you to renew or extend	Franchise Agreement Section 2(B)	You must give 180 days prior notice; have sufficient remaining term on your lease for the premises to operate the franchise for the term; not be in default of your Franchise Agreement; remodel the premises at your expense to reflect the then-current physical appearance of new TCTC Stores; sign our then-current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); pay a non-fundable renewal fee of \$10,000; and you and each person owning and interest in you sign a general release



Provision	Section in Franchise or Other Agreement	Summary
	AD Agreement Not Applicable	in a form satisfactory to us.
d. Termination by you	Franchise Agreement Section 16  AD Agreement Not Applicable	Subject to applicable state law, you may terminate the Franchise Agreement if we violate any material obligation and fail to cure such violation within 60 days after our receipt of written notice from you, or such longer time as may be required due to the nature of the violation; provided, that you are in substantial compliance with the Franchise Agreement at the time of giving the notice of termination.
e. Termination by us without cause	Not applicable.	Not applicable.
f. Termination by us with cause	Franchise Agreement Section 15(A)  AD Agreement Section 7	We can terminate the Franchise Agreement if you are in default.
g. "Cause" defined - curable defaults	Franchise Agreement Section 15  AD Agreement Section 7(B)	Curable defaults: You have 10 days to cure any failure to make any payment. You have 30 days to cure if you (1) fail to timely select a premises or open your franchise, (2) fail to comply with any provision of the Franchise Agreement, (3) fail to conform to the material requirements of the System or the standards of uniformity and quality; (4) fail to successfully complete the required training; (5) violate the terms of any other agreement with us or our affiliate or vendors; (6) fail to pay taxes as required under applicable law; or (7) fail to select and receive approval of a site and commence operation of the business within the required time periods.  You have 10 days to cure nonpayment of fees, 15 days to cure failure to file required reports or documentation, and up to 30 days for other types of noncompliance, except those listed in (h).
h. "Cause" defined – non-curable defaults	Franchise Agreement Section 15(B)	Non-curable defaults:(1) failure to comply with one or more material requirements of the Franchise Agreement three or more times in any 12 month period; (2) the nature of the breach

Provision	Section in Franchise or Other Agreement	Summary
	AD Agreement Section 7(A)	<p>makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; (4) you or any guarantor managers, directors, officers or shareholders are convicted of or plead guilty to a charge of violating any law that adversely impacts the reputation of us, the Store or TCTC Stores generally; (5) you are insolvent within the meaning of applicable law; (6) you make an assignment for the benefit of creditors or enter into any similar arrangement; (7) you voluntarily or otherwise abandon the business by failing to operate for five consecutive days or any shorter period of time after which it is not unreasonable to conclude that you do not intend to continue to operate; (8) you are involved in any act or conduct that materially impairs the goodwill associated with the name The Closet Trading Co. or any of the Marks or System; (9) you breach any non-competition obligation; (10) you willfully and materially falsify any report statement or other data given to us; (11) you or your assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you violate any such law, ordinance, or regulation; (12) you make any material misrepresentations in connection with the Franchise Agreement or the acquisition of the Store; (13) you violate any health, safety or sanitation law, ordinance or regulation and do not cure within 72 hours; or (14) you fail to meet the minimum sales requirements.</p> <p>Non-curable defaults: insolvency or an assignment for benefit of creditors; failure to comply with your Development Schedule; your material misrepresentation to us; felony conviction or no contest plea or conduct; unauthorized transfer or termination of this or any other agreement with us; unauthorized use of trademarks or unauthorized disclosure of intellectual property; failure any three times in a year to pay financial obligations; failure to comply with any Franchise agreement without timely curing; failure any three times in a calendar year to comply with the AD Agreement, even if cured.</p>

Provision	Section in Franchise or Other Agreement	Summary
i. Your obligations on termination/non-renewal	Franchise Agreement Sections 9, 17 and 18(B)  AD Agreement Sections 6 and 8	Maintain the confidentiality of all Confidential Information; return or destroy all Confidential Information including the Brand Standards Manual, advertising and other printed materials related to the operation of the franchise; pay all amounts due; not hold yourself out as our franchisee; comply with all non-competition covenants; cease use of The Closet Trading Co. name, the Marks and the System; execute all documents and take all other action necessary to remove your name from any register relating to business names and Marks; take all action necessary to assign all telephone numbers, email address, social media and similar accounts to us; and redecorate the premises, both interior and exterior so that it is easily distinguished from the standard appearance of The Closet Trading Co. Stores.  Maintain the confidentiality of all Confidential Information; cease exercising development rights; cease to represent yourself as a TCTC developer; return Confidential Information; pay all amounts due to us; comply with all provisions of AD Agreement that survive termination.
j. Assignment of contract by us	Franchise Agreement Section 14(G)  AD Agreement Section 10(B)	No restriction on our right to transfer or assign.  No restriction on our right to transfer or assign.
k. "Transfer" by you – defined	Franchise Agreement Section 14(A)  AD Agreement Section 10(B)	Includes assignment of Franchise Agreement, or change in ownership or a sale of assets or similar transaction in which you turn over the operation of the business.  Includes assignment, sale or transfer of any interest in AD Agreement.
l. Our approval of transfer by you	Franchise Agreement Section 14(B)  AD Agreement Section 10(B)	We have the right to approve all transfers but will not unreasonably withhold approval if our specified requirements are met, including the payment of a transfer fee.  We must consent in writing prior to any proposed transfer.

Provision	Section in Franchise or Other Agreement	Summary
m. Conditions for our approval of transfer	Franchise Agreement Sections 14(B), 14(C) and 14(D)  AD Agreement Section 10(B)	Transferee must meet then current standards for new franchisees and sign the then-current form of franchise agreement; you must pay all amounts due to use and a transfer fee equal to 25% of our then-current franchise fee; you must have provided us all required reports; you must have complied with all required modernization or refurbishment of the premises; you and each guarantor must sign a general release of all claims; the transferee must, at its expense, comply with all training requirements, including any initial training; you must provide us any financial reports and data we require; and you must provide the terms and conditions of the transfer to us in writing.  We have the right to approve all transfers, in our sole discretion.
n. Our right of first refusal to acquire your business	Franchise Agreement Section 14(F)  AD Agreement Not Applicable	We have a right of first refusal to match any offer for your assets, the Franchise Agreement, the business within 30 days of you providing the required information regarding the offer to us.
o. Our option to purchase your business	Franchise Agreement Section 17(C)  AD Agreement Not Applicable	We have the right, at our option, within 45 days of expiration or termination, to purchase your assets at fair market value and to assume the lease for the premises.
p. Your death or disability	Franchise Agreement Section 14(E)  AD Agreement Not Applicable	An approved personal representative may continue the to operate the Store if appointed within 120 days after such death or incapacity or the business must be transferred. We have the right to operate your Store until a new franchisee is appointed.
q. Non-competition covenants during the term of the franchise	Franchise Agreement Section 18(A)	Subject to applicable state law, you may not have any interest in or services for a competitive business. You may not circumvent, avoid or bypass us in any manner, directly or indirectly, to

Provision	Section in Franchise or Other Agreement	Summary
	AD Agreement Not Applicable	avoid payment of fees, royalties, or any other obligation in any way involving any of the parties or to direct customers or potential customers to any competing business.
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement Section 18(B)  AD Agreement Not Applicable	Subject to applicable state law, for two years, you may not have any interest in or services for a competitive business within 25 miles of your The Closet Trading Co. Store or 25 miles of any The Closet Trading Co. Store.
s. Modification of the agreement	Franchise Agreement Sections 8(I) and 21(B)  AD Agreement Section 10(C)	Modifications of the Franchise Agreement must be in writing and signed by both parties, but the System, Brand Standards Manual, policies and procedures are subject to change by us.  Modifications of the AD Agreement must be in writing and signed by both parties.
t. Integration/merger clause	Franchise Agreement Section 21(H)  AD Agreement Section 11	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim representations we made in this Disclosure Document.  Only the terms of the AD Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and AD Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement Section 19  AD Agreement Section 10(A)	Except for certain claims, disputes must be arbitrated in Los Angeles County, California, subject to applicable state law.  Except for certain claims, disputes must be arbitrated in Los Angeles County, California, subject to applicable state law.
v. Choice of forum	Franchise Agreement Sections 19(A) and 21(D)	Arbitration must be conducted in Los Angeles County, California, and litigation, if any, must be in the state courts in Los Angeles County, California or federal courts of the Central District

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
	AD Agreement Section 10(A)	of California, subject to applicable state law.  Arbitration must be conducted in Los Angeles County, California, and litigation, if any, must be in the state courts in Los Angeles County, California or federal courts of the Central District of California, subject to applicable state law.
w. Choice of law	Franchise Agreement Section 21(D)	California law applies, subject to applicable state law.
	AD Agreement Section 10(A)	California law applies, subject to applicable state law.

### ITEM 18. PUBLIC FIGURES

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

### ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following presents unaudited information about the revenues and certain expenses for both company owned and franchised locations for the 2023 calendar year.

	<b>AH*</b>	<b>SB*</b>	<b>WV*</b>	<b>MV</b>	<b>OD-WH</b>	<b>OD-SM</b>	<b>TOTAL</b>
<b>Ordinary Income/Expense</b>							
<b>Gross Sales</b>	488,766.99	1,048,956.22	546,557.11	464,309.75	630,011.26	713,758.85	3,892,360.18
<b>COGS</b>	237,137.58	431,198.59	263,106.46	239,516.81	316,164.92	314,462.02	1,801,586.38
<b>Gross Profit</b>	251,629.41	617,757.63	283,450.65	224,792.94	313,846.34	399,296.83	1,152,837.69
<b>Expense</b>							
<b>Payroll Expenses</b>	119,713.05	216,331.93	90,017.36	84,949.09	111,533.09	166,825.93	789,370.45
<b>Rent</b>	37,674.57	74,166.10	71,670.47	45,511.10	109,410.17	115,529.19	453,961.60
<b>Royalty (5%)</b>	24,438.35	52,447.81	27,327.86	23,215.49	31,500.56	35,687.94	194,618.01
<b>Ad Fund (1%)</b>	4,887.67	10,489.56	5,465.57	4,643.10	6,300.11	7,137.59	38,923.60
<b>Technology Fee (1%)</b>	4,887.67	10,489.56	5,465.57	4,643.10	6,300.11	7,137.59	38,923.60
<b>Bank Service Charges</b>	11,300.95	28,648.84	12,536.49	8,894.93	13,409.64	17,717.40	92,508.25
<b>Insurance Expense</b>	7,204.17	10,614.06	7,555.94	5,958.26	8,054.52	8,251.07	47,638.02

	AH*	SB*	WV*	MV	OD-WH	OD-SM	TOTAL
Computer Hardware & Software	8,676.00	8,676.00	8,676.00	1,067.89	7,452.65	3,323.60	37,872.14
Office Supplies/Expenses	6,919.97	13,604.80	6,992.85	6,941.81	8,962.94	8,100.68	51,523.05
Telephone & Utilities	3,695.05	16,077.18	3,695.05	3,330.76	101.65	8,253.73	35,153.42
<b>Total Expense</b>	<b>229,397.45</b>	<b>441,545.84</b>	<b>239,403.16</b>	<b>189,155.52</b>	<b>303,025.45</b>	<b>377,964.72</b>	<b>1,780,492.14</b>
<b>Net Ordinary Income</b>	<b>22,231.96</b>	<b>176,211.79</b>	<b>44,047.49</b>	<b>35,637.42</b>	<b>10,820.89</b>	<b>21,332.11</b>	<b>310,281.66</b>
<b>Net Income</b>	<b>22,231.96</b>	<b>176,211.79</b>	<b>44,047.49</b>	<b>35,637.42</b>	<b>10,820.89</b>	<b>21,332.11</b>	<b>310,281.66</b>

\* corporate owned location

As used in the above tables, the terms below have the meaning outlined.

1. **Gross Sales.** As used in Item 19, “Gross Sales” means that aggregate amount of all sales of products and services in connection with the operation of the TCTC Store, excluding all federal, state or municipal sales or use taxes collected from customers and paid to the appropriate taxing authority.
2. **COGS.** As used in Item 19, “COGS” means the cost of goods sold, including all costs related to the creation or acquisition of the product or services sold.
3. **Gross Profit.** As used in Item 19, “Gross Profit” means Gross Sales minus COGS.
4. **Operating Profit.** As used in Item 19, “Operating Profit” means Gross Sales minus expenses, as set forth in each table, before interest, taxes, depreciation and amortization.
5. **Operating Profit Percentage.** As used in Item 19, “Operating Profit Percentage” means the Operating Profit divided by Gross Sales.

All company-owned locations are owned by our affiliate, The Closet Trading Company, LLC. Because you are required to spend at least 1% of your Gross Sales on local advertising, to contribute 1% of your Gross Sales to the advertising fund and to pay us 5% of your Gross Sales as a royalty, the representations in the above table include these expenses at the levels for which you are required to contribute, including for our affiliate locations that do not pay a royalty.

**Some outlets have sold or earned this amount. Your individual results may differ. There is no assurance that you’ll sell or earn as much.**

Written substantiation for this financial performance representation will be made available upon request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of future income, you should report it to our management by contacting Taylor Lambert at 714 State Street, Santa Barbara, California 93101, (844) 793-8083, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR (FISCAL) YEARS 2021 TO 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	1	+1
	2022	1	3	+2
	2023	3	4*	+1
Company Owned	2021	4	4	0
	2022	4	3	-1
	2023	3	3	0
Total Outlets	2021	4	5	+1
	2022	5	6	+1
	2023	6	7	+1

\* One franchised location was repurchased by the franchisor in 2024.

**TABLE 2: TRANSFER OF OUTLETS FROM FRANCHISEE TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR (FISCAL) YEARS 2021 TO 2023**

State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

**TABLE 3: STATUS OF FRANCHISED OUTLETS FOR (FISCAL) YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
California	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Florida	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1



	2023	1	0	0	0	0	0	1
Totals	2021	0	1	0	0	0	0	1
	2022	1	2	0	0	0	0	3
	2023	3	1	0	0	0	0	4

**TABLE 4: STATUS OF COMPANY OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisee	Outlets closed	Outlets sold to franchisee	Outlets at End of Year
California	2021	4	0	0	0	0	4
	2022	4	1	0	0	2	3
	2023	3	0	0	0	0	3
Totals	2021	4	0	0	0	0	4
	2022	4	1	0	0	2	3
	2023	3	0	0	0	0	3

**TABLE 5: PROJECTED OPENINGS AS OF DECEMBER 31, 2023  
(LAST DAY OF FISCAL YEAR)**

State	Franchise agreements signed but outlet not opened	Projected new franchised outlets in the next fiscal year	Projected new company-owned outlets in the next fiscal year
California	0	2	1
Florida	0	2	0
Total	0	4	1

Attached as Exhibit E is a list of the names, addresses, and telephone numbers of all current franchisees and area developers. We do not have any former franchisees or current or former area developers. No franchisee had an outlet terminated, cancelled, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year. The contact information for any such franchisees will be found on Exhibit E. In addition, no franchisee has failed to communicate with us within 10 weeks of the date of this Disclosure Document. If you buy a The Closet Trading Co. franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no franchisees or licensees have signed confidentiality clauses. Future franchisees will be required to sign agreements that include confidentiality clauses. In some instances, franchisees will sign agreements restricting their ability to speak openly about their experience with The Closet Trading Co. franchise system.

There is no trademark-specific franchisee organization associated with The Closet Trading Co. franchise system and no franchisee organization incorporated or otherwise organized under state law has asked us to be included in this Disclosure Document.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit F to this Disclosure Document are unaudited financial statements as of and through March 31, 2024 and audited financial statements for the fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021.

## **ITEM 22. CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following:

### **Exhibit B - Franchise Agreement and related Exhibits**

- Authorized Location
- Acknowledgment of Opening
- Entity Ownership Addendum
- Non-Disclosure and Non-Competition Agreement
- Guaranty
- Lease Addendum
- Direct Payment Authorization
- General Release Agreement

By signing the Franchise Agreement, you will acknowledge certain facts pertaining to the offer of this franchise. The acknowledgements are listed in Section 23 of the Franchise Agreement. 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.

If you are granted the right to open and operate multiple stores, you must sign the AD Agreement and all related exhibits included as Exhibit C. The related agreements include:

**Exhibit C - Area Development Agreement and related Exhibits  
Development Area and Development Schedule  
Entity Information and Ownership**

**ITEM 23. RECEIPTS**

Exhibit I of this Disclosure Document is a detachable document prepared in duplicate, acknowledging receipt of the Disclosure Document by you. You must sign both copies. Keep one copy for your records. Please return the other copy to us by mailing it to The Closet Trading Company Franchising, LLC, Attn: Taylor Lambert at 714 State Street, Santa Barbara, California 93101 or by emailing a copy of the signed receipt to [franchise@theclosettradingco.com](mailto:franchise@theclosettradingco.com).

## EXHIBIT A

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

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of the Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2744
Illinois (State Administrator)	Illinois Attorney General	500 South Second Street Springfield, IL 62701 (217) 782-4465
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6300
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place 20 <sup>th</sup> Floor Baltimore, MD 21202-2020 (410) 576-6360
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Division	Williams Building, 7th Floor 525 West Ottawa Street Lansing, MI 48909 (517) 335-7622
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 539-1638
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street 21 <sup>st</sup> floor New York, NY 10005 (212) 416-8222

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
New York (Agent)	New York Secretary of State New York Department of State	One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001
North Dakota (State Administrator)	North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 5 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-2910
North Dakota (Agent)	Securities Commissioner	600 East Boulevard Avenue, State Capitol, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-2910
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue Building 69-2 Cranston, RI 02920 (401) 462-9500
South Dakota	Division of Insurance Securities Regulation	124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219-3630 (804) 371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 (877) 746-4334
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, 4 <sup>th</sup> Floor Madison, WI 53705-9100 (608) 261-9555

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

Between

The Closet Trading Company Franchising, LLC

a Wyoming limited liability company

and

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

Date of Franchise Agreement

\_\_\_\_\_

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# FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_ 20\_\_ (the “Effective Date”), by and between The Closet Trading Company Franchising, LLC, a Wyoming limited liability company, with its principal business address at 714 State Street, Santa Barbara, California 93101 (“TCTC”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal business address at \_\_\_\_\_ (“Franchisee”). TCTC and Franchisee are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

## RECITALS

WHEREAS, TCTC has developed and established methods, procedures, standards, and specifications, including, but not limited to, those set forth in any manuals, which TCTC may improve, further develop or otherwise modify from time to time (the “System”), for the operation of a retail store that buys and sells women’s designer fashion, and related products designated by TCTC to and with the public in a beautiful, boutique environment;

WHEREAS, TCTC has the right to utilize certain trademarks, service marks, logos, commercial symbols and such other names and marks as TCTC may designate, or at a later time register, license or designate (the “Marks”) that relate to the operations of a The Closet Trading Co.® branded store (a “TCTC Store”) through a perpetual license with an affiliate The Closet Trading Company IP, LLC dated March 21, 2019;

WHEREAS, TCTC has the rights to franchise and license the Marks and the System to third-party franchisees to allow such franchisees to develop and operate a TCTC Store using the Marks and the System (the “Franchised Business”);

WHEREAS, Franchisee has had an adequate opportunity and has been thoroughly advised of the provisions of this Agreement and has had sufficient time and opportunity to evaluate and investigate the Franchised Business, the procedures and financial requirements associated with the Franchised Business as well as the competitive market in which it operates;

WHEREAS, it is the intent of both TCTC and Franchisee to preserve continuing consumer confidence in the quality and reliability of all TCTC Stores and the products and services provided using the System and Marks, and each Party desires that all TCTC Stores consistently conform to the highest expectations of consumers of such products and services; and

WHEREAS, Franchisee desires to acquire from TCTC and TCTC is willing to grant to Franchisee the right to operate a Franchised Business subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and considerations set forth herein, the Parties hereby agree as follows:

## AGREEMENT

### 1. GRANT OF FRANCHISE

A. Grant of Franchise. Subject to the provisions of this Agreement, TCTC grants to Franchisee, and Franchisee hereby accepts, the non-exclusive right and license to operate one TCTC Store using the Marks and the System. Franchisee will promote, market, maintain, operate, and conduct all of Franchisee's activities under this Agreement with regard to the franchise granted hereunder and all business activities regarding the Franchised Business in strict compliance with this Agreement and the System as it may be changed, improved and further developed from time to time by TCTC.

B. Authorized Location. The Franchised Business may be operated only at the location approved and authorized by TCTC (the "Authorized Location") as set forth on Exhibit A or such other temporary location as set forth herein. If a site for the Franchised Business has not been approved prior to entering into this Agreement, once a site is selected by Franchisee and approved by TCTC as set forth herein, the Parties will execute Exhibit A to acknowledge the Authorized Location. No business activity other than the Franchised Business may take place at the Authorized Location and Franchisee may not use the Marks or System in relation to any business other than the Franchised Business. In addition to its operations at the Authorized Location, Franchisee may opt-in to sell its inventory through TCTC's ecommerce platform ([www.theclosettradingco.com](http://www.theclosettradingco.com)) provided that, the Franchisee agrees to TCTC's ecommerce standards and requirements as outlined in the Brand Standards Manual. Franchisee may also opt-in to sell its inventory in TCTC outlets provided that Franchisee prepares the inventory by tagging, transporting, paying shipping costs, and tracking all back-end accounting with respect to their consignment accounts, and all other requirements as determined by TCTC as outlined in the Brand Standards Manual. At TCTC's sole discretion and upon TCTC's prior written approval, Franchisee may operate kiosks, booths, or similar temporary locations. Franchisee must submit to TCTC the precise details of its plans to operate any such kiosk or booth. TCTC's approval of such a location may be revoked at any time by TCTC in its sole discretion.

C. Protected Territory. Except as specifically approved by TCTC pursuant to Section 1(b) and as otherwise set forth below, the license is limited to the right to develop and operate one Store at the Authorized Location within the area set forth on Exhibit A (the "Protected Territory"). During the term of this Agreement and provided Franchisee is in compliance with the terms and conditions of this Agreement, TCTC will not (i) modify the Protected Territory without Franchisee's written permission, (ii) locate either a company-owned or franchised TCTC Store within the Protected Territory, or (iii) establish a company-owned or another franchised business in the Protected Territory under the Marks or other trademarks that offers the same products and services as the Franchised Business. The license granted to Franchisee herein does not, however, include (i) any right to sell products or services at any location other than the Authorized Location except as set forth herein, (ii) any right to sell products or services to any person or entity for resale or further distribution, except as TCTC may designate in writing, (iii) any right to exclude, control or impose conditions on TCTC's development of future franchised, company or affiliate owned TCTC Stores at any time or at any location outside the Protected Territory, or (iv) the right to sell online, except as set forth in Section 1(b). Franchisee further expressly acknowledges that all TCTC Stores, regardless of whether owned by TCTC or a third party, may solicit, sell, and/or deliver products to customers regardless of their geographic location, including customers located in the Protected Territory and online customers, provided that online sales are approved by TCTC as set forth in Section 1(b) and that TCTC may, in its sole discretion, send home delivery orders placed online for delivery to locations that are not within the Franchisee's Protected Territory or the protected territory of any other TCTC franchisee to any company-owned or franchised TCTC Store.

D. Rights Reserved By TCTC. Other than the right and license under this Agreement to operate a Franchised Business at the Authorized Location, TCTC retains all rights not expressly granted herein, including but not limited to the right to develop, operate, franchise or license other TCTC Stores at any location TCTC deems appropriate (i) outside of the Protected Territory; or (ii) within the Protected Territory at a Non-Traditional Locations or kiosks, booths, or similar temporary locations. “Non-Traditional Locations” shall mean locations where the primary purpose of the customer’s visit is likely to be for other than to purchase goods from a TCTC Store, including without limitation, locations within another business, airports, convention centers, hospitals, military bases, and stadiums or arenas. TCTC further retains the right to sell any products in any other channel of distribution, including without limitation online, under the Marks, whether within or outside any Protected Territory. TCTC may merge with, acquire, or become associated with any businesses of any kind under other systems and/or other marks, which businesses may convert or operate under the Marks or other trademarks or service marks and may offer or sell products and services that are the same as or similar to the products and services offered by the Franchised Business, and which may be located anywhere, including in close proximity to the Franchised Business. Franchisee understands that TCTC and its affiliates may also sell any products or services under service marks or trademarks other than the Marks.

## 2. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. Unless earlier terminated as provided herein, the term of this Agreement commences on the Effective Date and continues for a period of ten years from the date that the Franchised Business opens to the public. Upon opening, Franchisee shall execute the acknowledgement of opening attached as Exhibit B to acknowledge the date the Franchised Business opened to the public.

B. Renewal. Franchisee will have the right to renew its franchise for one additional ten-year term, provided Franchisee meets the following conditions as of the renewal date:

(1) Franchisee has given TCTC written notice of its intention to renew at least 180 days prior to the end of the initial term of this Agreement;

(2) Franchisee has sufficient remaining term on its lease for the premises to operate the Franchised Business for the renewal term;

(3) Franchisee is not, at the time of such notice nor at any time prior to expiration of the term, in default of any of the provisions of this Agreement, the System and any other agreement with TCTC, any of TCTC’s affiliates, any supplier or creditor and any lessor of the premises used for the Franchised Business, including the payment of all monetary obligations owed;

(4) Franchisee has at its expense and to TCTC’s satisfaction remodeled, modernized and redecorated the premises of the Franchised Business and has replaced and modernized the supplies, signs, fixtures and equipment used in such Franchised Business, as TCTC may reasonably require, so that the business premises reflects the then-current physical appearance, image and standards of new TCTC Stores;

(5) Franchisee executes TCTC’s then-current form of franchise agreement, provided that such agreement will not grant any additional renewal rights. Franchisee acknowledges that the provisions of TCTC’s then-current form of franchise agreement may, at that time, vary in substance and form from the provisions of this Agreement, including the increase of any fees;

(6) Franchisee and each person or entity owning a legal or beneficial interest in Franchisee execute a general release, in a form satisfactory to TCTC, of any and all claims it may have against TCTC, including any affiliates or subsidiaries, and its officers, directors, shareholders, managers, members, partners, employees and agents in the form of the General Release attached hereto as Exhibit H; and

(7) Payment to TCTC of a renewal fee equal to \$10,000 upon execution of the renewal franchise agreement.

Notwithstanding the foregoing, Franchisee shall not have the right to renew if TCTC has given Franchisee notice at least 180 days prior to expiration of the initial term of its intent not to renew because TCTC is withdrawing from the market area in its sole and absolute right.

### 3. **OWNERSHIP AND USE OF MARKS AND SYSTEM**

A. **Ownership.** TCTC is the owner and has a right to license, as provided herein, the name “The Closet Trading Co.,” other Marks designated by TCTC for use in operation of the Franchised Business, other TCTC Stores, and the System. Franchisee expressly acknowledges the validity and enforceability of the Marks and agrees that during the term on this Agreement and thereafter Franchisee will not represent in any manner that Franchisee has any ownership in the Marks and will not challenge or contest the ownership, validity or enforceability, directly or indirectly, of the Marks. All use of the Marks by Franchisee pursuant to this Agreement or any goodwill created thereby inures exclusively to the benefit of TCTC, and this Agreement or the operation of the Franchised Business pursuant hereto does not create in Franchisee’s favor any right, title or interest in or to the Marks.

B. **Use.** Franchisee’s right to use and identify with the Marks and System applies only to the operation of the Franchised Business, and only so long as this Agreement is in effect and Franchisee is in complete compliance with TCTC’s quality standards. Franchisee will not have or acquire any rights in any of the Marks or System other than the right of use as governed by this Agreement. Franchisee will have the right to use the Marks and System only in the manner prescribed, directed and approved by TCTC in writing. Franchisee will comply with all trademark, trade name, service mark, and copyright notice marking requirements. If, in the judgment of TCTC, the acts of Franchisee infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and System, Franchisee will immediately, upon written notice from TCTC, modify its use of the Marks and System in the manner prescribed by TCTC. Franchisee will not, during or after the term of this Agreement, do anything directly or indirectly which would infringe upon, harm, mislead, or contest the rights of TCTC in the Marks or System.

C. **Concepts Developed by Franchisee.** All ideas, concepts, techniques, improvements or materials relating to the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to TCTC and will be deemed to be TCTC’s sole and exclusive property, part of the System, and works made for hire for TCTC. To the extent that any item does not qualify as a “work made for hire” by TCTC, Franchisee hereby assigns ownership of that item, and all related rights to that item, to TCTC and agrees to take whatever action, including signing assignment or other documents, TCTC requests to evidence TCTC’s ownership or to help TCTC obtain intellectual property rights in the item.

D. **Operation Using the Marks.** Franchisee agrees that the Franchised Business operated will be clearly identified and advertised as a TCTC Store. Franchisee has the right to use the Marks for

advertising only as set forth herein. The style, form and use of the words The Closet Trading Co. or TCTC in any advertising, written materials or supplies must have the prior written approval of TCTC. Franchisee will use the name The Closet Trading Co., TCTC and the other Marks, which now or hereafter may form a part of the System, on all paper supplies, business cards, letterhead, envelopes, uniforms, advertising materials, signs or other articles in the identical combination and manner as may be prescribed by TCTC in writing.

E. Corporate Identity. Franchisee will not use the words The Closet Trading Company, The Closet Trading Co. or TCTC in its corporate or partnership name. Franchisee must file for an assumed or fictitious name or DBA in the state where the Franchised Business is located. Franchisee will clearly indicate on its business checks, purchase orders, business cards, receipts, promotional materials, other written materials, and at the premises of the Franchised Business that Franchisee is an independent entity operating as a The Closet Trading Co. franchisee.

F. Discontinuance or Substitutions. If there is a claim by any third party that its rights to use any of the Marks are superior and if TCTC determines that such claim is legally meritorious, Franchisee will, upon receiving written notice from TCTC, immediately discontinue use of the Marks and/or implement such changes and amendments to the Marks as may be required by TCTC. Franchisee will not make any changes or amendments in or to the use of the Marks and System unless so directed by TCTC in writing. TCTC will not be obligated to reimburse Franchisee for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

G. Litigation. TCTC may, in its sole discretion, prosecute or defend any action or proceeding that TCTC deems necessary or desirable for the protection of the Marks. Franchisee will execute any documents and render such other reasonable assistance as is deemed necessary by TCTC or its affiliates to obtain protection for the Marks or to maintain their continued validity and enforceability and will promptly inform TCTC if it becomes aware of the infringement of any Marks. Franchisee will have no obligation to and will not, without the prior written consent of TCTC, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify TCTC of any claims or complaints made against Franchisee with respect to the Marks and will, at its expense, cooperate in all respects with TCTC in any court or other proceedings involving the Marks. TCTC will pay the cost and expense of all litigation incurred by TCTC including attorneys' fees, specifically relating to the Marks. TCTC, its affiliates and its legal counsel will have the right to control and conduct any litigation relating to the Marks. TCTC agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which Franchisee is held liable in any proceeding arising out of Franchisee's authorized use of any Mark in compliance with this Agreement, provided that Franchisee has timely notified TCTC of the claim or proceeding and has otherwise complied with this Agreement.

#### 4. FEES AND PAYMENT.

A. Initial Franchise Fee. Franchisee will pay TCTC an "Initial Franchise Fee" equal to \$40,000 upon execution of this Agreement by electronic funds transfer, or another method approved by TCTC. The Initial Franchise Fee is in consideration for, among other expenses of TCTC, expenses incurred by TCTC to furnish assistance and services to Franchisee and for costs incurred by TCTC, including general sales and marketing expenses, legal, accounting and other professional fees. The Initial Franchise Fee is fully earned by TCTC upon execution of this Agreement and is non-refundable.



B. Initial Training Fee. Franchisee must pay to TCTC an initial training fee of \$2,500, to cover the cost of training associated with up to two individuals to attend TCTC's initial training program. The initial training fee does not cover costs and expenses incurred in attending the initial training program, including but not limited to, travel, lodging, meals and salary expenses. The initial training fee is due upon receipt of an invoice from TCTC approximately one week before the initial training begins. Initial training will not commence until the initial training fee is paid in full. The initial training fee is deemed fully earned and non-refundable upon receipt.

C. Computer Equipment Fee; Point-of-Sale Software Fee. Upon execution of this Agreement and concurrent with payment of the Initial Franchise Fee, Franchisee must also pay to Franchisor, by electronic funds transfer, or another method approved by TCTC, a fee of \$20,000 for the purchase of the required computer equipment necessary for operation of the TCTC Store according to the System. This fee is deemed fully earned and non-refundable upon receipt. Further, Franchisee will pay a monthly fee for the Point-of-Sale software system in the amount designated by TCTC in the Brand Standards Manual or as otherwise communicated to Franchisee in writing, in its sole discretion, for use at TCTC Stores ("Point-of-Sale Fee").

D. Royalty Fee. Franchisee agrees to pay TCTC a non-refundable monthly "Royalty Fee" equal to 5% of all Gross Sales for the respective calendar month. Franchisee's obligation to pay TCTC the Royalty Fee under the terms of this Agreement will remain in full force and effect until this Agreement expires or is terminated in accordance with the provisions stated herein. For purposes of this Agreement, "Gross Sales" means the total amount of all revenues received by Franchisee from the sale of goods and services, including, but not limited to, all revenues from internet sales or sales at or off the premises, including at any kiosk booth, temporary location or offsite event, whether for cash or by check, credit card, trade, or otherwise, in connection with such Franchised Business, less customer refunds and returns and any sales tax or any other indirect tax on the supply of goods and services collected from customers and paid to appropriate tax authorities. Gross Sales also excludes revenue derived from selling or issuing system gift or loyalty cards, although revenue Franchisee derives from sales to customers who use such cards for payment will be included in Gross Sales.

E. Technology Fee. Franchisee agrees to pay TCTC or its designated third-party a monthly technology fee for costs incurred in maintaining The Closet Trading Co. website and investments in technology for brand and system technology improvements. The current technology fee for website development, website maintenance, email marketing fees, and the System's central phone system is 1% of Gross Sales. TCTC reserves the right to increase this fee up to 3% of Gross Sales. TCTC will provide Franchisee two email addresses for use by Franchisee. TCTC reserves the right to charge franchisee a reasonable fee in addition to the technology fee to cover its costs for additional email addresses requested by Franchisee (the "Email Fee") as further set forth in Section 5(E).

F. Non-compliance Fee. Franchisee acknowledges the importance of operating the Franchised Business in full compliance with this Agreement, the System, as may be modified and revised from time to time by TCTC in its sole discretion, and that Franchisee's deviation from any contractual requirement, including any System standard, is a violation of this Agreement and requires TCTC to incur additional administrative and management costs to address the violation. Franchisee agrees to pay TCTC a fee of \$50 per day for each deviation from a contractual requirement, including any System standard, plus our actual, reasonable expenses incurred, if applicable (the "Non-Compliance Fee"). Franchisee acknowledges that the Non-Compliance Fee is a reasonable estimate of TCTC's administrative and management costs incurred. Non-Compliance Fees are due and payable to TCTC within five days after TCTC notifies Franchisee that TCTC is charging the Non-Compliance Fee due to Franchisee's violation

and bills Franchisee for such fee. TCTC need not give Franchisee an opportunity to cure a violation before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not preclude TCTC from seeking any other relief available under applicable law, including but not limited to, recovering additional damages not related to TCTC's additional administrative expenses, defaulting Franchisee and terminating this Agreement, or exercising any of other rights under this Agreement.

G. Interest and Late Fees. If any sum required to be paid by Franchisee to TCTC under this Agreement is not actually received by TCTC by the due date, that sum will bear interest at a rate equal to 1.5% per month, or the highest rate allowed under applicable law, whichever is less. Additionally, TCTC may charge an additional \$50 late fee for every week payments remain unpaid. Interest and late fees are due upon receipt of notice from TCTC that such fees are being charged and are in addition to any other rights or remedies that TCTC may have under this Agreement or otherwise.

H. Payment. The Royalty Fees, Technology Fees, Point-of-Sale Fees, and any Email Fees or Ad Fund amounts payable by Franchisee will be paid to TCTC monthly no later than the 5th day of each month for the prior month. Franchisee must also submit by such date all required Gross Sales reports, as further set forth in Section 13(A). All other fees are due as set forth herein, or, if the due date for a sum is not specified in this Agreement, will be due upon receipt of an invoice from TCTC. All fees or other amounts due to TCTC must be paid by electronic funds transfer from Franchisee's designated bank account on the due date, or by such other method as TCTC may designate, and Franchisee agrees to comply with any payment instructions provided by TCTC. Franchisee authorizes TCTC to initiate debit entries and credit correction entries to Franchisee's checking, savings, operating or other account for the payment fees or other amounts due from Franchisee under this Agreement or otherwise. Franchisee shall reimburse TCTC upon receipt of any invoice for any fees incurred due to insufficient funds in Franchisee's designated bank account. Franchisee shall comply with TCTC's procedures and instructions in connection with this direct debit and credit process and sign any document or take any action that may be required to effect this authorization, including completing the form attached hereto as Exhibit G.

I. Application of Payments, No Right to Offset. Regardless of any designation by Franchisee, TCTC has the right to apply any payments by Franchisee to any past due indebtedness for Royalty Fees, Technology Fees, purchases from TCTC or its affiliates, interest or any other indebtedness or amounts owed to TCTC or its affiliates. Franchisee has no right of "offset" and will not withhold payment, for any reason, of any Royalty Fees or any other payment due to TCTC under this Agreement or any other agreement.

J. Reimbursement of Taxes. If any tax or fee other than federal or state income tax is imposed on TCTC by any governmental agency due to TCTC's receipt of fees from Franchisee under this Agreement, then Franchisee agrees to reimburse TCTC or gross up the amount paid to TCTC in an amount sufficient to cover such taxes and related costs and expenses imposed upon or paid by TCTC to ensure that TCTC receives the payment it otherwise would have received if such taxes or fees had not been applicable. Franchisee will make such reimbursement within 10 days after receipt of written notice from TCTC that TCTC is entitled to reimbursement for payment of such taxes and other amounts as set forth herein.

5. ADVERTISING FUND AND REQUIRED ADVERTISING EXPENDITURES. Franchisee understands and acknowledges that the required contributions and expenditures set forth in this Section are minimum requirements only, and that TCTC encourages Franchisee to spend additional funds for local advertising and promotion that will focus on disseminating marketing directly related to the Franchised Business.

A. Local Advertising. Franchisee will use its best efforts to promote and advertise the Franchised Business, provided that Franchisee agrees to spend at least 1% of its Gross Sales on a quarterly basis on local advertising, marketing and promotional programs. For purposes of this provision local advertising, marketing and promotional programs shall consist only of the direct costs or purchasing and producing marketing materials and those direct out-of-pocket expenses related to costs of marketing and sales promotion spent in Franchisee's local market area, advertising agency fees and expenses, postage, shipping, telephone and photocopying and shall not include costs or expenses incurred in connection with salaries and expenses of employees, including salaries or expenses for attendance at marketing meetings or activities or incentives provided or offered to such employees, including discount coupons; charitable, political, or other contributions or donations; and/or the value of discounts provided to customers.

B. Advertising Fund. TCTC maintains and administers a system-wide advertising fund ("Ad Fund") for all TCTC Stores. Franchisee agrees to contribute an amount designated by TCTC that may be up to 5% of the Franchised Business' Gross Sales during the preceding month (the "Ad Fund Contribution"). Franchisee agrees to make such payments as set forth in Section 4(H) of this Agreement or as otherwise designated by TCTC. Ad Fund Contributions are non-refundable under any circumstances. The Ad Fund will be maintained and administered as follows:

(1) TCTC or its designee has the right to direct all marketing programs and all aspects thereof, including, without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee understands and agrees that TCTC's collection and expenditure of Ad Fund Contributions is intended to maximize recognition of the Marks and patronage of TCTC Stores. Although TCTC will endeavor to utilize the Ad Fund Contributions collected to develop advertising and marketing materials and programs and to place advertising that will benefit all TCTC Stores, TCTC does not guaranty and cannot ensure Franchisee that expenditures of Ad Fund Contributions in or affecting any geographic area will be proportionate or equivalent to the Ad Fund Contributions by TCTC Stores operating in that geographic area or that any TCTC Store or the Franchise Business will benefit directly or in proportion to its respective Ad Fund Contributions.

(2) The Ad Fund, all contributions to the Ad Fund, and any of the Ad Fund's earnings, will, except as otherwise set forth herein, be used exclusively for any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that TCTC believes will enhance the image of The Closet Trading Co. brand and TCTC Stores. These expenses may include, but are not limited to, costs of preparing and conducting marketing and advertising campaigns in any medium, whether digital, print, direct-mail or other; marketing surveys and other public relations activities; employing marketing personnel; the cost of retaining advertising and/or public relations agencies; purchasing promotional items; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced advertisements or marketing materials; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for businesses and their competitors; and providing promotion and other marketing materials and services to TCTC Stores. TCTC will have the right to charge the Ad Fund for reasonable administrative costs and overhead incurred in activities reasonably related to the direction and implementation of the Ad Fund and marketing programs

for franchisees and The Closet Trading Co. system, including, but not limited to, the costs of personnel for creating and implementing advertising, merchandising, promotional and marketing programs. The Ad Fund and its earnings will not otherwise inure to TCTC's benefit.

(3) TCTC will maintain separate bookkeeping accounts for the Ad Fund, although it is not required to establish a separate bank account for such fees. Upon Franchisee's prior written request made within the first quarter of any calendar year, TCTC will make available to Franchisee no later than 120 days after the end of the calendar year, an annual statement of amounts collected and costs incurred related to the Ad Fund. No independent audit is required in connection with this statement or the Ad Fund Contributions collected. TCTC and its affiliates have no fiduciary obligation to franchisees with respect to the collection and expenditure of Ad Fund Contributions. No part of the Ad Fund or any Ad Fund Contribution will be deemed an asset of TCTC, nor a trust, and TCTC does not assume any fiduciary obligation to Franchisee for maintaining, directing or administering Ad Fund Contributions or for any other reason.

(4) Although, once established, the Ad Fund is intended to be of perpetual duration, TCTC maintains the right to terminate the Ad Fund. The Ad Fund will not be terminated, however, until all amounts in the Ad Fund have been expended as set forth herein.

C. Advertising Cooperatives. TCTC has the right to designate any geographical area for purposes of establishing a regional cooperative advertising fund ("Co-op Fund"). If a Co-op Fund for the geographic area in which the Franchised Business is located has been established at the time Franchisee starts to operate under this Agreement, Franchisee will immediately become a member of such Co-op Fund. If a Co-op Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, Franchisee will become a member of that Co-op Fund within 30 days after the date on which the Co-op Fund commences operation. Under no circumstances will Franchisee be required to be a member of more than one Co-op Fund. If instituted, Franchisee agrees to contribute an amount designated by TCTC that may be up to 5% of the Franchised Business' Gross Sales during the preceding month to the Co-op Fund. TCTC will notify all members of a Co-op Fund of the timing and manner of payment for required contributions. Any contributions to a Co-op Fund shall proportionately reduce Franchisee's required monthly local advertising expenditure but shall be in addition to any required Ad Fund Contribution. Each Co-op Fund will be administered as follows:

(1) Each Co-op Fund shall be organized for the exclusive purpose of administering regional marketing programs and developing, subject to TCTC's approval, standardized materials for use by its members and must adopt formal written governing documents, including bylaws, approved by TCTC in writing. The activities of each Co-op Fund shall be decided by majority vote of the members, unless otherwise specified in writing and approved by TCTC. The minutes of all Co-op Fund meetings and all action taken must be submitted to TCTC. TCTC Stores operated by TCTC in the region shall have the same voting rights as those operated by franchisees. The owner of each TCTC Store shall be entitled to cast one vote for each business owned.

(2) No advertising, marketing or promotional plans or materials may be used by a Co-op Fund or furnished to its members without TCTC's prior written approval as set forth in this Section. Each Co-op Fund may be required to engage the services of a professional advertising agency, public relations firm or similar service that has expertise in the market and is approved by TCTC in writing.

(3) Although, once established, a Co-op Fund is intended to be of perpetual duration, TCTC maintains the right to terminate any Co-op Fund. The Co-op Fund will not be terminated, however, until all amounts in the Co-op Fund have been expended as set forth herein.

D. Marketing Materials. TCTC may make available to Franchisee, at Franchisee's expense, marketing plans and promotional materials, including coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct-mail materials, community relations programs, and similar marketing and promotional materials for use in local store advertising.

E. Internet Presence; TCTC Email Addresses. TCTC will provide a specific webpage for the Franchised Business on TCTC's website. Franchisee may not develop and operate its own website, social media website, mobile application, or other similar application in connection with the Franchised Business, including, but not limited to, Facebook, Yelp, Twitter, Instagram, Pinterest, TikTok, and YouTube that in any way references the System, the Marks, the Franchised Business or any TCTC Store without TCTC's prior written approval, which may be withheld by TCTC in its sole discretion for any or no reason. Any such approval may be thereafter withdrawn, or, if required by TCTC, Franchisee shall cease operating such site, account, handle, app, or otherwise and shall establish links to such websites as TCTC may prescribe. All such pages, accounts, or sites must conform with TCTC's social media policy or other policies set forth in the Brand Standards Manual. Franchisee may opt-in to sell its inventory through TCTC's ecommerce platform (www.theclosettradingco.com) provided that, the Franchisee agrees to TCTC's ecommerce standards and requirements. Franchisee may not otherwise sell online. TCTC will provide Franchisee with two TCTC branded email addresses, one for the Store ([storename]@theclosettradingco.com) and for Franchisee or an owner of Franchisee, if Franchisee is an entity ([name]@theclosettradingco.com). Franchisee will pay an Email Fee of up to \$5.00 per month for any additional email address that Franchisee is required to hold including for any additional email addresses requested and approved by TCTC, in its sole discretion.

F. Gift Cards and Loyalty Programs. Franchisee agrees to participate fully in all national, regional and local gift certificate, gift card, coupon, and/or promotional, stored value card, loyalty and charitable programs, whether physical or electronic, including, without limitation, the then current stored value card, specified from time to time by TCTC, the cost for which shall be borne by Franchisee where applicable and the terms, conditions and procedures of which shall be determined by TCTC from time to time. Franchisee acknowledges and agrees that, to participate in such programs, TCTC may require that Franchisee enter into agreements with service providers mandated by TCTC. Franchisee shall participate in promotional programs developed by TCTC, in the manner directed by TCTC in the Brand Standards Manual or otherwise in writing. Additionally, Franchisee shall sell or otherwise issue gift cards provided or designated by TCTC, and only in the manner specified by TCTC in the Brand Standards Manual or otherwise in writing. Franchisee shall fully honor all gift cards that are in the form provided or approved by TCTC regardless of whether a gift card was issued directly or indirectly by Franchisee, TCTC or another franchisee. Franchisee shall sell, issue, and redeem gift cards in accordance with procedures and policies specified by TCTC. Franchisee shall purchase or lease, and install, all required fixtures, furniture, furnishings, signs and equipment, including required computer, point-of-sale, and other electronic information systems and all equipment components and software necessary for Franchisee to accept and process TCTC's gift cards or loyalty cards and participate in TCTC's gift card, loyalty or similar programs for the Franchised Business.

G. Marketing Standards and Approval. Any advertising conducted by Franchisee must be in the media and of the type and format that TCTC approves, be conducted in a dignified manner consistent with The Closet Trading Co. brand and conform to the standards and requirements that TCTC may

specify, including those standards set forth in the Brand Standards Manual. Franchisee acknowledges and agrees that any and all copyright in and to advertising, marketing materials or promotional plans developed by or on behalf of Franchisee are the sole property of TCTC, as further set forth herein. For all proposed advertising and marketing, Franchisee, or the Co-op Fund, as applicable, must submit to TCTC samples of any such plans or materials for review and prior written approval. If Franchisee has not received approval of any submitted materials after 14 days of receipt by TCTC, such materials are deemed not approved.

## 6. SITE SELECTION, DESIGN, PLANS AND CONSTRUCTION.

A. Site Selection and Approval. If the premises for the Franchised Business has not been located by Franchisee and accepted by TCTC prior to execution of this Agreement, it will be the obligation of Franchisee to (i) provide a financing plan to TCTC within 21 days of signing this Agreement; and (ii) locate, within 120 days after execution of this Agreement, premises suitable for the operation of the business and acceptable to TCTC. If Franchisee is delayed from locating suitable premises within 105 days, Franchisee must immediately provide TCTC with either a written confirmation that Franchisee will locate suitable premises before the end of the 120 day period or a written request for an extension. The request must state that a delay is anticipated, the reasons which caused the delay, the efforts that Franchisee is making to locate suitable premises, and an anticipated date of compliance. In considering the request, TCTC will not unreasonably withhold its consent to a delay, up to a maximum period of 60 days, provided that Franchisee has been earnestly looking for suitable premises. TCTC must approve any location. TCTC will not unreasonably withhold acceptance of any premises that meets its minimum standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, median income, competition from other businesses providing similar services or products in the area, proximity to other businesses, any exclusivity granted to other franchises of TCTC, the nature of other businesses in proximity to the premises and other commercial characteristics, and size, appearance and other physical characteristics of the premises. TCTC will give written notice of acceptance or rejection of the proposed site within a reasonable time after receiving Franchisee's written proposal and letter of intent or other evidence satisfactory to TCTC confirming Franchisee's favorable prospects of obtaining the proposed site. Franchisee acknowledges that TCTC's acceptance of any premises or the provision of any information to Franchisee regarding a potential location does not constitute any assurance that the Franchised Business will be profitable at such premises or more profitable at a particular premises in comparison to other premises. TCTC's acceptance is only an indication that the particular premises meets TCTC's minimum criteria. All leases for the premises of the Franchised Business must be approved by TCTC prior to the signing of any lease and must include the lease addendum attached hereto as Exhibit F. Franchisee must provide TCTC a copy of the signed, approved lease within 15 days of its execution. The premises of the Franchised Business may not be relocated without TCTC's prior written approval.

B. Plans and Design of Premises. TCTC will provide Franchisee a sample layout for the interior of a typical TCTC Store. Franchisee must use TCTC's sample plans and must pay the architect that developed such plan the then-current cost for reuse of the plans. Additionally, Franchisee will, at its sole expense, engage architects, designers, engineers, or others, as may be necessary under applicable laws and regulations or otherwise, to complete, adapt, modify, or substitute the sample plans and specification for the premises. Franchisee must submit a complete set of final plans and specifications to TCTC for approval prior to commencement of construction related to the premises. TCTC will promptly approve of such plans or provide comments. Franchisee will use licensed general contractors, designers, and architects as approved by TCTC prior to performing construction work at the premises of the Franchised Business. TCTC will consult with Franchisee, to the extent TCTC deems necessary, on the

construction and equipping of the premises, but it will be and remain Franchisee's sole responsibility to diligently design, construct, equip, and otherwise ready the premises.

C. Permits and Licenses. Franchisee will be responsible, at its expense, to secure financing to develop the premises of the Franchised Business, for obtaining all zoning classifications, permits, clearances, certificates of occupancy, and clearances that may be required by governmental authorities, and to construct the premises of the Franchised Business pursuant to all applicable requirements.

D. Equipment, Fixtures, Furniture and Signs. Franchisee agrees to use in the operation of the Franchised Business only those brands and models of equipment, fixtures, furniture and signs that TCTC has approved for TCTC Stores as part of the System by meeting its specifications and standards. Specifications may include minimum standards for design, appearance, function, performance, serviceability, and warranties. Franchisee further agrees to place or display at the premises of the business (interior and exterior) only the signs, emblems, lettering, logos, and display materials that TCTC approves in writing. Franchisee may purchase approved brands and models of equipment, fixtures, furniture and signs from any supplier, including TCTC or its affiliated companies, where applicable. If a supplier or desired equipment, fixtures, furniture or signage is not then approved by TCTC, Franchisee may request approval by following the process set forth in Section 8(G) regarding approval of suppliers of products or alternative products for use in the Franchised Business.

E. Approval of Premises and Opening. TCTC will make a final inspection of the completed premises and may require such corrections and modifications as it deems necessary to bring the premises into compliance with the System and currently approved plans and specifications. The Franchised Business will not be allowed to open: (i) if it does not conform to the plans and specifications approved by TCTC, including changes thereof approved by TCTC; (ii) if pre-opening training has not been completed to TCTC's satisfaction; (iii) if the Initial Franchise Fee has not been paid in full; (iv) the lease for the Authorized Location has not been executed; (v) if TCTC has not been furnished with copies of all insurance policies required by this Agreement and evidence of the payment of premiums; and (vi) if Franchisee has not sourced 100 consigned items from third parties. Failure to meet any of the above obligations, including correction of any unauthorized variance from the approved plans and specifications promptly may result in the termination of this Agreement. Franchisee agrees to obtain all necessary governmental permits and approval and to open the Franchised Business within twelve months after the Effective Date, but if Franchisee is delayed from opening within eleven months of such date, Franchisee must immediately provide TCTC with either a written confirmation that Franchisee will open before the end of the twelve month period or a written request to delay opening. The request must state that a delay is anticipated, the reasons which caused the delay, the efforts that Franchisee is making to proceed with the opening, and an anticipated opening date. In considering the request, TCTC will not unreasonably withhold its consent to a delay, up to a maximum period of 60 days, if Franchisee has been diligently pursuing the opening.

F. Relocation. Franchisee may not relocate the premises of the Franchised Business to a new site unless as a result of condemnation, the exercise of a relocation right by Franchisee's landlord or for some other reason approved by TCTC in writing, which TCTC may grant or deny in its sole discretion. TCTC may condition its approval of any proposed relocation request on (i) the new site and its lease being acceptable to TCTC, (ii) Franchisee reimbursing the costs TCTC incurs during the relocation process, including those required to help Franchisee construct and develop the Franchised Business at the new site in full compliance with our System, (iii) Franchisee confirming that this Agreement remains in effect and governs the operation of the Franchised Business at the new premises with no change in the term or, at TCTC's option, Franchisee signing TCTC's then current form of franchise agreement to

govern Franchisee's operation of the Franchised Business at the new premises for a new franchise term, (iv) Franchisee signing a general release, in a form satisfactory to TCTC, of any and all claims against TCTC and its owners, affiliates, officers, directors, employees, and agents (except for our indemnification obligations herein), (v) Franchisee continuing to operate the Franchised Business at the approved premises until TCTC authorizes its closure, and (vi) Franchisee taking, within the timeframe TCTC specifies and at Franchisee's own expense, all action TCTC requires to de-brand and de-identify the former premises of the Franchised Business so that it no longer is associated or identified in any manner with The Closet Trading Co. or as a TCTC Store, including the action specified in Section 17(B) below. All relocations must be complete and the Store must be open at the new location within 90 days of TCTC's approval of such request or TCTC may in its reasonable discretion terminate this Agreement upon notice to Franchisee.

## 7. **TRAINING AND ASSISTANCE**

A. **Initial Training.** TCTC will provide an initial training program to educate, familiarize and acquaint Franchisee with all aspects of operating a TCTC Store and retail consignment clothing business, including, but not limited to, purchasing, inventory management, the consignment process, sales, pricing, merchandising, advertising, and promotions. The initial training program will take place in the Los Angeles, California area, another location designated by TCTC, online, and/or at the premises of the Franchised Business. TCTC reserves the right to offer all or part of the initial training program online if TCTC determines necessary in its sole discretion. Up to two total individuals approved by TCTC may attend the full training program for no additional cost beyond the Initial Training Fee provided that both individuals attend the same initial training at the same time. If Franchisee is an entity, one approved representative must be an owner with at least 20% ownership in Franchisee (each, a "Principal Owner"). If such representative will not be managing the day-to-day operation of the Franchised Business, one individual who will manage the day-to-day operation of the Franchised Business must also attend the training. The period of the training program will be at the discretion of TCTC—currently 5 days—and will be scheduled by TCTC in its sole discretion. Each attendee shall be required to complete all phases of the training program to TCTC's satisfaction and shall participate in all other activities required to open a Franchised Business. Franchisee will be solely responsible for the compensation, travel, lodging and living expenses incurred in connection with attendance at such initial training program. Additional individuals beyond the two authorized attendees who attend training separately from the initial training may attend the initial training program, at Franchisee's request, for an additional fee designated by TCTC, which fee shall be at least \$500 per person per day. Payment for additional individuals must be received by TCTC prior to commencement of training. If Franchisee or its manager(s) fail to successfully complete the training program, TCTC may terminate this Agreement pursuant to Section 15(A)(11) below, unless training is thereafter successfully completed by an alternate manager(s).

B. **Opening Assistance.** TCTC will assist in scheduling the opening of the Franchised Business. Franchisee will not open business operations of the Franchised Business until TCTC has approved the opening. TCTC will, at no charge, provide at least one person to assist Franchisee with the opening of the Franchised Business for at least two business days around the time of opening, consisting of one day of training prior to opening and one day of assistance on or after the opening. TCTC will be responsible for travel, food, lodging, and other out-of-pocket costs of its employees for any trips its employees take to the Franchised Business related to the opening assistance.

C. **Additional Training and Assistance.** TCTC shall have the right to require that Franchisee designate management personnel to attend, at Franchisee's cost, additional supplemental and refresher training programs other than the initial training during the term of this Agreement, including without



limitation a designated refresher training at least every five years, and to charge a reasonable fee for such training, to be conducted at a time and place reasonably designated by TCTC. Franchisee may request additional training or assistance from TCTC, which TCTC, in its sole discretion, may provide to Franchisee at a time and place designated by TCTC for TCTC's then-current daily fee for the type of training requested, including travel, meals and lodging expenses incurred by TCTC, or as otherwise agreed by the Parties. Franchisee is responsible for all compensation, travel, lodging and living expenses incurred by attendees in connection with attendance. Payment for any additional training or assistance is due upon receipt of an invoice from TCTC.

D. Ongoing Assistance. During the operation of Franchisee's business, TCTC will: (i) provide, upon the written request of Franchisee and payment of TCTC's applicable fees, advisory services pertaining to the operation of Franchisee's business; (ii) make available to Franchisee from time to time all changes, improvements and additions to the System to the same extent as made available to other franchisees; (iii) provide Franchisee with all supplements and modifications to the Brand Standards Manual; (iv) develop, as TCTC deems necessary, advertising materials available for Franchisee to purchase, as set forth herein.

E. Inspections. TCTC may inspect the Franchised Business from time to time to enhance uniformity and quality control. TCTC's personnel or designated agent will have the right to enter the premises of the Franchised Business at any reasonable time and from time to time for the purpose of examination, conferences with Franchisee or its managers, inspection of operations and inventory, auditing, and for all other purposes in connection with the determination that the Franchised Business is being operated in accordance with the System. Franchisee specifically authorizes TCTC personnel or representatives to enter the premises of the Franchised Business as set forth above for such periods of time as TCTC may determine to be necessary at no expense to Franchisee, provided that TCTC's inspections do not unreasonably interfere with the operation of the Franchised Business. Franchisee agrees to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Franchised Business by TCTC's personnel within a reasonable period of time upon being advised of same.

F. Regional or National Conferences. TCTC may, in its sole discretion, conduct an annual convention or other regional or national conferences for franchisees, for which Franchisee agrees to attend and pay TCTC's then-current per person fee for attendance at any such conference prior to attendance. Franchisee will be responsible for all of costs and expenses incurred by those attending the annual convention, including compensation, travel, lodging and living expenses incurred in connection with attendance. All attendees must be approved by TCTC.

G. Advisory Council. TCTC reserves the right to establish a franchisee advisory council comprised of members elected by franchisees in accordance with an election process prescribed by TCTC as well as members appointed by TCTC. If established, TCTC will consult with this group from time to time, but this council will serve solely in an advisory capacity and will have no right to bind TCTC in any way. Although, once established, any advisory council is intended to be of perpetual duration, TCTC maintains the right to terminate no terminate such council.

8. **OPERATION OF THE FRANCHISED BUSINESS.** Franchisee acknowledges and agrees that the operation of the Franchised Business in accordance with the System is the essence of this Agreement and is essential to preserve the goodwill of the Marks and all TCTC Stores. Therefore, Franchisee agrees that, at all times during the term of this Agreement, Franchisee will operate the Franchised Business and use the Marks in strict compliance with the System and all standards, operating procedures, specifications, requirements and instructions required of all The Closet Trading Co. franchisees, as set

forth in TCTC's operations and brand standards manual for TCTC Stores, as may be modified and revised from time to time by TCTC in its sole discretion (the "Brand Standards Manual") or any other manuals or communications from TCTC to The Closet Trading Co. franchise system. TCTC will promulgate, and may change, from time to time, the System and such uniform standards of quality and service regarding the business operations of the Franchised Business so as to protect, for the benefit of all franchisees and TCTC, the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and System, and Franchisee agrees that TCTC has the right to do so. Franchisee further agrees to operate the Franchised Business according to the following provisions:

A. Managerial Responsibility. During the term of this Agreement, Franchisee must have at least one individual who has successfully completed TCTC's initial training program personally manage and operate the Franchised Business. Although a trained individual does not need to physically be at the premises at all times in which the Franchised Business is open to the public, a manager who has completed the initial training must manage the day-to-day operation of the Franchised Business and assure that such operation is in accordance with the System. The person who is responsible for the day-to-day supervision of the Store must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with such obligations. All individuals with managerial responsibility must sign a non-disclosure and non-competition agreement substantially in the form as the agreement attached as Exhibit D. If Franchisee's approved and trained manager is terminated or leaves the Store, Franchisee must have another individual who has successfully completed our initial training program in place within 90 days of the prior manager leaving employment. Franchisee's initial manager responsible for the day-to-day supervision of the Store is listed on Exhibit B. Franchisee agrees to immediately notify TCTC if this individual (or any subsequent manager) no longer manages the Store for any reason and will promptly notify TCTC of the name and contract information for any subsequent manager.

B. Opening. The Franchised Business shall not open to the public until TCTC has approved of such opening. Franchisee must conduct (i) a minimum of two pre-opening consignment events and (ii) a grand opening campaign within 60 days of opening for business.

(1) Grand Opening. Franchisee shall expend for the grand opening program an amount determined by TCTC, provided that Franchisee will not be required to spend more than \$10,000 on such promotion. This event shall conform to TCTC's requirements and shall utilize the media and advertising formats designated by TCTC. Franchisee will host a minimum of two consignment-focused events. The events can be held on site at the TCTC Store or off-site at a location approved by TCTC. TCTC has the right to require Franchisee to use TCTC's designated vendors related to the grand opening campaign and/or to submit a grand opening plan that meets TCTC's approval containing details about the grand opening promotion.

C. Pricing. Franchisee will generally have the right to advertise and sell products at the Franchised Business to consumers at whatever prices Franchisee determines, provided, however, that TCTC may provide recommended pricing for overall system consistency and to assist Franchisee with properly pricing consigned or purchased used products. TCTC reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices Franchisee may charge for products and services and Franchisee agrees to abide by any such requirements upon adequate prior notice of at least 30 days.

D. Products and Quality. Franchisee shall only purchase from its customers and in turn resell at the Franchised Business approved, gently used, brand name and designer label clothing and accessories which is in good condition and which conforms to the market image of all TCTC Stores. Franchisee may not purchase or sell any product which Franchisee believes may have been stolen, which has been recalled, which is counterfeit, or which is not safe upon inspection. Franchisee shall only offer for sale those brands and product lines approved by TCTC as being consistent with the System and suitable for sale by meeting the standards of quality and uniformity. Franchisee is required to sell all of TCTC's approved product lines and maintain minimum inventory levels of such product lines as further set forth in the Brand Standards Manual. Franchisee is prohibited from selling, consigning or offering any brands or product lines not authorized by TCTC in writing.

E. Standards of Service. Franchisee shall only provide those services approved by TCTC as consistent with The Closet Trading Co. brand and System and may not sell products through any non-approved channels of distribution. Franchisee agrees to at all times give prompt, courteous and efficient service to customers and, in all dealings with customers, and suppliers, and the public, adhere to the highest standards of honesty, integrity and fair dealing, including, but not limited to, all customer service standards prescribed by TCTC in writing.

F. Sources of Products and Specifications. Products, inventory, supplies, and other items must meet TCTC specifications, and Franchisee may obtain products meeting these specifications from any source carrying them. Franchisee must purchase certain designated products, inventory, supplies, or items from sources that are designated or approved by TCTC. Franchisee acknowledges and agrees that certain approved supplies may only be available from one approved supplier source, and TCTC or its affiliates may be that source. Franchisee agrees that Franchisee will pay for all shipping and delivery costs for all inventory sourced by TCTC or its affiliates. TCTC will develop and research new products or suppliers as it determines necessary. The required sources and specifications for any products will be outlined in the Brand Standards Manual. **ALTHOUGH APPROVED BY FRANCHISOR, FRANCHISOR MAKES NO WARRANTY AND EXPRESSLY DISCLAIMS ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO PRODUCTS, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS AND OTHER APPROVED ITEMS. FURTHER, FRANCHISOR MAY FROM TIME TO TIME MAKE AVAILABLE TO FRANCHISEE OR REQUIRE FRANCHISEE TO PURCHASE GOODS, PRODUCTS, AND/OR SERVICES FOR USE IN THE FRANCHISED BUSINESS ON THE SALE OF WHICH FRANCHISOR MAY MAKE A PROFIT. FRANCHISOR MAY FROM TIME TO TIME RECEIVE CONSIDERATION FROM SUPPLIERS AND/OR MANUFACTURERS IN RESPECT TO SALES OF GOODS, PRODUCTS, OR SERVICES TO FRANCHISEE OR IN CONSIDERATION OF SERVICES RENDERED OR RIGHTS LICENSED TO SUCH PERSONS. FRANCHISEE AGREES THAT FRANCHISOR IS ENTITLED TO SUCH PROFITS AND/OR CONSIDERATION.**

G. Unapproved Suppliers and Products. If Franchisee desires to purchase or sell any items for which TCTC has designated an approved supplier from an unapproved supplier, or if Franchisee desires to sell products that have not been approved, Franchisee must submit to TCTC a written request for such approval of the supplier or product. TCTC may require Franchisee to submit samples and other data to permit TCTC to ascertain whether any such items meet TCTC's specifications. TCTC will notify Franchisee in writing and within 30 days of receipt of all required information and completion of any testing as to whether such item, equipment or supplies meets TCTC's specifications. Prior to review, Franchisee will be required to pay TCTC's reasonable costs and expenses related to TCTC's review of the request. A supplier who is able to provide equipment and/or supplies meeting TCTC's specifications may become an approved supplier to the extent designated by TCTC. TCTC may, from time to time, make

changes or alterations in the standards and specifications and approved suppliers and products. At TCTC's discretion, TCTC may revoke approval of an approved supplier or product upon 30 days written notice to Franchisee.

H. Standardization and Uniformity of Appearance. The design and appearance of the exterior and interior of the Franchised Business, including signage, are part of the System. It is essential to the integrity of the System that as great a degree of uniformity as possible is maintained among the various premises of TCTC Stores, both corporate owned and franchised. No material change, addition, or alterations will be made to the premises, layout or design without the prior written consent of TCTC and only such signs, emblems, logos, lettering, and artwork as may be reasonably prescribed or provided by TCTC from time to time, will be displayed on the premises of the Franchised Business. Franchisee will require its employees present at the premises of the Franchised Business to comply with the dress code, as may be designated by TCTC, and such other programs of standardization as TCTC may from time to time promulgate to promote the common business image and to protect the goodwill associated with the Marks and System. Public telephones, newspaper racks, juke boxes, cigarette, gum and candy machines, rides, lottery ticket terminals, video games or any other games, or vending or amusement machines shall not be installed at the premises of the Franchised Business without TCTC's prior written consent. In the event that TCTC approves such items, all sums received by Franchisee in connection therewith shall be included in the Gross Sales of the Franchised Business.

I. Brand Standards Manual. In order to protect the reputation and goodwill of TCTC and to maintain uniform operating standards under the Marks and System, Franchisee will conduct their businesses in accordance with TCTC's Brand Standards Manual and other written instructions. TCTC will loan Franchisee one copy of TCTC's Brand Standards Manual containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by TCTC for TCTC Stores and information relative to other obligations of Franchisee. Franchisee will treat the Brand Standards Manual as Confidential Information and will use all reasonable efforts to maintain the Brand Standards Manual as secret and confidential. The Brand Standards Manual will remain the sole property of TCTC. TCTC may from time to time revise the contents of the Brand Standards Manual. With notice and a reasonable time to implement new or changed standards, Franchisee agrees to comply with each new or changed standard. Franchisee will ensure that its copy of the Brand Standards Manual is kept current. In the event of any dispute as to the contents of the Brand Standards Manual, the terms of the master copy of the Brand Standards Manual maintained by TCTC or TCTC's specific instruction in writing will be controlling.

J. Maintenance of Premises. Maintenance and repair of the premises is Franchisee's sole responsibility. Franchisee will maintain all pictures, equipment, decor, furnishings, fixtures, and all other tangible property at the premises in excellent condition and repair and will replace any equipment and fixtures that become obsolete or mechanically impaired to the extent that such equipment or fixtures no longer adequately perform the functions for which they were originally intended. Replacement equipment and fixtures will be of the same type and quality as the System requires at the time the replacement is necessary. All replacement pictures, decor, equipment, and fixtures will comply with the System.

K. Remodel and Upgrades. At Franchisee's expense, Franchisee agrees to repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish the premises of the Franchised Business from time to time as TCTC may reasonably direct to conform to the building design, color schemes and presentation of trade dress, trademarks and service marks consistent with TCTC's then-current public image, including, without limitation, structural changes, remodeling, redecoration of the furnishings and fixtures and décor and such modifications to existing improvements as may be reasonably necessary, such

that all TCTC Stores may have a generally similar look and appearance. Notwithstanding the foregoing, Franchisee will not be required to spend more than \$20,000 in any five-year period on such remodels or upgrades

L. Compliance with Laws. Franchisee will, at its expense, comply with all applicable laws, rules and regulations pertaining to the operations of a retail consignment business, the Franchised Business, and all licensing and bonding requirements. If any government approval or permit is required for operation of the Franchised Business, Franchisee will be responsible for securing the same at its expense. Franchisee must comply with all laws and regulations relating to privacy and data protection and must comply with any privacy policies or data protection and breach response policies TCTC may establish. Franchisee must notify TCTC in writing within five days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, and award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Store. Franchisee must notify TCTC immediately of any suspected data breach at or in connection with the Store. Franchisee will not conduct any business or advertising practice which injures TCTC, the System or the goodwill associated with the Marks and other TCTC Stores.

M. Payment of Liabilities. Franchisee will timely pay all of its obligations and liabilities due and payable related to the Franchised Business, including, but not limited to, all obligations to TCTC, consignment purchases, suppliers, lessors and creditors.

N. Personnel. Franchisee will, at all times, have a person designated as a management person on duty who shall be responsible for the business operations of the Franchised Business. Franchisee will employ and maintain a sufficient number of adequately trained and competent employees to provide efficient service to Franchisee's customers and shall require such employees to use their best efforts to maintain customer satisfaction. Franchisee shall be exclusively responsible for all employment decisions of the Franchised Business including the hire of employees, which must include all terms of employment, compensation, training and similar labor issues that may be required. Franchisee will indemnify TCTC against any claim brought by any employee of Franchisee.

O. Hours of Operation. The Franchised Business will be open for business for such days and hours as are customary for the location and center where located or as otherwise directed by TCTC pursuant to the System.

P. Point-of-Sale; Computer and Accounting Systems. Franchisee agrees to purchase, as set forth in Section 4(C), and utilize in the Franchised Business the computer system hardware designated by TCTC pursuant to the System. Franchisee agrees to utilize TCTC's designated point-of-sale system, accounting software and/or system and credit card processor. Franchisee will enter into any required agreements with the designated suppliers of such systems and pay all fees associated therewith to TCTC. Franchisee must purchase, install, and begin using any required point-of-sale, computer hardware and software, credit card processing, and/or accounting system designated by TCTC within 60 days of notice to Franchisee, or such other reasonable amount of time specified by TCTC, including any updates, supplements, changes to or modifications thereof. Franchisee agrees that TCTC will be allowed to access and monitor Gross Sales centrally using information submitted through the point-of-sale system and any other payment collection services that are used to process payments outside of the point-of-sale system's integrated payment processing and agrees to maintain high-speed internet access necessary to allow TCTC access to such information.

Q. Customer Data. Franchisee agrees that all data and personally identifiable information, including without limitation, name, birth date, mailing address, phone number, email address, and all information related to consignments, purchases or related product preferences or information, that Franchisee collects from customers and potential customers in connection with the Franchised Business (collectively, “Customer Data”) is deemed to be owned exclusively by TCTC. Franchisee further agrees to provide Customer Data to TCTC upon request by TCTC. Franchisee has the right to use the Customer Data during the term of this Agreement, but only as authored by TCTC in connection with operating the Franchised Business and only in accordance with the policies that TCTC establishes from time to time. Franchisee may not sell, transfer, or use Customer Data for any purpose other than operating the Franchised Business and marketing pursuant thereto.

R. Health and Sanitation. The Franchised Business shall meet and maintain the highest health standards and ratings applicable to the operation of a TCTC Store and shall be maintained at all times in compliance with any and all applicable laws and health and sanitary standards prescribed by TCTC and by the local government authorities. Franchisee shall notify TCTC within 24 hours of any investigation or violation, actual or alleged, concerning any health or sanitary laws or regulations and, thereafter, take any actions directed by TCTC or governmental agencies related thereto.

9. **CONFIDENTIAL INFORMATION** TCTC possesses, and will continue to develop and acquire, certain confidential information, some of which constitutes trade secrets under applicable law (the “Confidential Information”), relating to developing and operating TCTC Stores, including, but not limited to, site selection criteria; information regarding products; training and operations materials and manuals including the Brand Standards Manual; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating TCTC Stores; marketing and advertising programs; pricing tools; brand and product lists; appraisal methods; customer data; knowledge of specifications for and suppliers of products, products and other supplies; any computer software or similar technology which is proprietary to TCTC or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of outlets other than the Franchised Business; and, graphic designs and related intellectual property. Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to its attention before TCTC provided it to Franchisee directly or indirectly; which, at the time TCTC disclosed it to Franchisee, already had lawfully become generally known through publication or communication by others without violating an obligation to TCTC; or which, after TCTC discloses it to Franchisee, lawfully becomes generally known through publication or communication by others without violating an obligation to TCTC.

Franchisee acknowledges and agrees that it will not acquire any interest in Confidential Information, other than the right to use it as specified in this Agreement and during this Agreement’s term, and that Confidential Information is proprietary, includes TCTC’s trade secrets, and is disclosed to Franchisee only on the condition that it agrees, and Franchisee does agree, that it will not use Confidential Information in any other business or capacity; will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement’s term and then thereafter for as long as the item is not generally known; will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and, will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, complying with all laws regulations and best practices related to the protection of customer and financial information and restricting its disclosure to employees or other personnel of the

Franchised Business and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. TCTC has the right to regulate the form of agreements that Franchisee uses and to be a third-party beneficiary of those agreements with independent enforcement rights.

10. **INSURANCE.** During the Term of this Agreement, Franchisee will maintain in effect at all times a policy or policies of insurance at levels TCTC directs, which may be revised from time to time in its discretion and upon providing TCTC at least 60 days prior written notice, with an “A” insurance carrier naming TCTC as an additional insured on the face of each policy at Franchisee’s sole cost and expense. Franchisee shall list the corporate and dba name on all policies. Upon the written request of TCTC, Franchisee shall provide TCTC with copies of the certificates of insurance and policy endorsements for all insurance coverage required by this Section and shall not do anything to invalidate such insurance. The failure to maintain the required insurance policies constitutes a material default under this Agreement. The current levels and types of coverage TCTC directs is as follows:

A. **Property Insurance.** Franchisee agrees, at its sole cost and expense, at all times during the term of this Agreement, to keep all of its goods, fixtures, furniture, equipment, and other personal property located at the premises of the Franchised Business insured to the extent of 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in special cause of loss coverage. Franchisee will also maintain business income and extra expense coverage to cover loss of income and extra expense for at least one year.

B. **Liability Insurance.** Franchisee agrees, at its sole cost and expense, at all times during the term of this Agreement, to maintain in force a comprehensive general liability insurance policy or policies, on an occurrence basis, which will name both TCTC and any affiliates as additional insureds on a primary non-contributory basis, insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the premises of the Franchised Business, including products liability insurance and broad form contractual liability insurance, the limits under such insurance to be not less than \$1,000,000 per occurrence, \$2,000,000 in the aggregate, and \$50,000 property damage.

C. **Workers’ Compensation and Employers Liability Insurance.** Franchisee also agrees to maintain and keep in force all workers’ compensation and employers liability insurance on its employees, if any, in the following amounts:

(1) **Workers Compensation:** The amount required under the applicable workers’ compensation laws of the state in which the Franchised Business is located.

(2) **Employers Liability:** No less than \$1,000,000 per accident for bodily injury by accident, no less than \$1,000,000 per employee for bodily injury by disease and no less than a \$1,000,000 policy limit for bodily injury by disease.

D. **Other Insurance Policies.** At Franchisee’s sole cost, Franchisee agrees, at all times during the term of this Agreement, to maintain in force such other and additional insurance policies as a prudent franchisee in its position would maintain or as TCTC reasonably requires.

E. **Release of Insured Claims.** Franchisee releases and relieves TCTC and its affiliates, and all of its and their officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees and waives Franchisee’s entire right of recovery against TCTC and its affiliates and all of its officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees for loss

or damage arising out of or incident to the perils required to be insured against under this Section, which perils occur in, on or about the premises of the Franchised Business or relate to the business on the premises, whether due to the negligence of TCTC or its affiliates or Franchisee or any of TCTC's or Franchisee's related parties.

11. **RELATIONSHIP OF THE PARTIES.** Franchisee understands and agrees that it is and will be an independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of Franchisee's employees will be considered to be TCTC's employees. Neither Franchisee nor any of its employees may in any way, directly or indirectly, expressly or by implication, be construed to be TCTC's employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any national, city, state or federal governmental agency. TCTC will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that TCTC's authority under this Agreement to certify certain of its employees for qualification to perform certain functions for the Franchised Business does not directly or indirectly vest in TCTC the power to hire, fire or control any such employee.

Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Franchised Business and that under no circumstance shall TCTC do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Brand Standards Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that TCTC controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitutes standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

Franchisee may not, without TCTC's prior written approval, have any power to obligate TCTC for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, TCTC may not control or have access to Franchisee's funds or the expenditures of Franchisee's funds or in any other way exercise dominion or control over the Franchised Business. Except as otherwise expressly authorized by this Agreement, neither Party will make any express or implied agreements, warranties, guaranties or representations or incur any debt in the name of or on behalf of the other Party or represent that the relationship between the Parties is other than that of franchisor and franchisee. TCTC does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. TCTC will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business.

12. **INDEMNIFICATION.** Franchisee will defend, indemnify and hold TCTC and any of its officers, directors, shareholders, agents, members, managers and employees harmless against any and all losses, liabilities, damages, costs and expenses whatsoever, including reasonable attorneys' fees arising out of or related to (i) the operations of the Franchised Business, whether caused by Franchisee's negligent or willful action or failure to act; and (ii) Franchisee's breach of any representation or warranty under this Agreement. Such indemnity shall include all costs reasonably incurred by TCTC in the defense of any such claim brought against it or in any action in which it is named as a party. TCTC will have the right to defend any such claim against it. TCTC will defend, indemnify and hold Franchisee and any of its officers, directors, shareholders, agents, members, and managers harmless against any and all



losses, liabilities, damages, costs and expenses whatsoever, including reasonable attorneys' fees arising out of (i) representations or warranties of TCTC under this Agreement; or (ii) the gross negligence or willful misconduct of TCTC. Such indemnity shall include costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any action in which it is named as a party, provided that TCTC will have the right to participate in and, to the extent TCTC deems necessary, to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to such indemnification. The indemnities and assumptions of liabilities and obligations set forth in this Agreement will continue in full force and effect subsequent to the expiration or terminations of this Agreement.

### 13. **SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS**

A. **Sales Reports.** Franchisee will maintain an accurate written and electronic record of daily Gross Sales and if requested by TCTC will remit a signed and verified statement of the monthly Gross Sales and other revenues generated by, at, or from the Franchised Business using such forms and at such times as TCTC may prescribe in writing. Franchisee also agrees to grant TCTC unrestricted access to monitor Franchisee's daily sales using its point-of-sale system and any other payment collection services (e.g., Square) that are used to process payments outside of the point-of-sale system's integrated payment processing. Further, Franchisee will provide a monthly report, or give TCTC unrestricted access to create and produce a monthly report, showing all off-site sales. To allow accurate tracking and reporting of all sales (whether in-store, online, or off-site) Franchisee will (i) process all transactions that involve payment from a third-party (i.e., non-cash transactions) through the point-of-sale system and (ii) record the point-of-sale invoice and SKU information in the other payment collection service being used by Franchisee. TCTC reserves the right to modify or substitute the prescribed forms and impose additional recordkeeping procedures.

B. **Financial Statements.** Franchisee will, at its expense, provide TCTC quarterly and annual financial statements for the Franchised Business and such other financial reports as TCTC specifies. All financial information provided to TCTC under this Section must be presented in the form prescribed from time to time by TCTC in writing. Franchisee will deliver the annual financial statement on or before January 31 of each year for the preceding calendar year.

C. **Audit Rights.** Franchisee will make all of its financial books and records available to TCTC or its designated representative at all reasonable times for review and audit by TCTC or its designee. Franchisee's financial books and records for each fiscal and calendar year will be kept in a secure place by Franchisee and will be available for audit by TCTC for at least six years. If an audit conducted by TCTC results in a determination that the Royalty Fees paid TCTC are deficient (underpaid) by more than 2%, Franchisee will immediately pay TCTC for the reasonable costs and expenses that it has incurred as a result of the audit. Franchisee will also immediately pay TCTC any deficiency in such fee payments as disclosed by such audit or examination, together with interest at the maximum rate specified by law, or in the absence of a maximum rate specified by law, 1.5% per month. If pursuant to audits, the Royalty Fees have been deficient by more than 2% twice or more within any five-year period or by more than 5% pursuant to any one audit, this will be considered a material breach of this Agreement.

14. **TRANSFERS.** TCTC and Franchisee agree that the following provisions govern any transfer or proposed transfer:

A. Transfer by Franchisee. Franchisee acknowledges and agrees that TCTC has entered into this Agreement with specific reliance upon Franchisee's financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Franchised Business. As a result, neither Franchisee's interest in this Agreement nor in the Franchised Business may be transferred or assigned to or assumed by any other person or entity, in whole or in part, unless Franchisee has first tendered to TCTC the right of first refusal to acquire this Agreement and the Franchised Business in accordance with this Section, and if TCTC does not exercise such right, unless TCTC's prior written consent is obtained, the transfer fee is paid, and the transfer conditions are satisfied. Any sale, including installment sale, lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which Franchisee turns over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the sale or transfer, directly or indirectly, whether through one or a series of transactions, of 25% or more of the ownership interests in Franchisee or the change in the general partner if Franchisee constitutes a transfer, and Franchisee must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section.

B. Consent to Transfer. TCTC will not unreasonably withhold its consent to transfer, provided that all of the conditions described in this Section have been satisfied. Franchisee must request in writing TCTC's consent to a transfer and tender of the right of first refusal provided for in this Section, which must be accompanied by the documents related to the transfer, including a copy of the proposed purchase or other transfer agreement, and any other required information. Franchisee must immediately notify TCTC of any proposed transfer. Any attempted transfer by Franchisee without TCTC's prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will constitute a material default under this Agreement.

C. Transfer Fee. Franchisee must pay to TCTC a transfer fee in the amount of 25% of TCTC's then-current initial franchise fee. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur.

D. Conditions of Transfer. TCTC's consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity is conditioned upon the following:

(1) Assignee Requirements. The assignee must meet all of TCTC's then-current requirements for franchisees and sign TCTC's then-current form of franchise agreement, including any exhibits, addenda or attachments thereto modified to reflect the term remaining under this Agreement.

(2) Payment of Amounts Owed. All amounts owed by Franchisee to TCTC, or any of its affiliates, Franchisee's suppliers or any landlord for the premises of the Franchised Business, or upon which TCTC or its affiliates have any contingent liability, must be paid in full.

(3) Reports. Franchisee must have provided all required reports to TCTC in accordance with the Franchise Agreement.

(4) Modernization. Franchisee must have complied with the provisions of Section 8(K).

(5) **General Release.** Franchisee and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, the Franchised Business or the Parties' business relationship, in the form TCTC designates, releasing TCTC and its affiliates attached hereto as Exhibit H.

(6) **Training.** The assignee must, at Franchisee's or assignee's expense, comply with the training requirements, including any required initial training and the payment of any fees for the provision of such training.

(7) **Financial Reports and Data.** TCTC has the right to require Franchisee to prepare and furnish to assignee and/or TCTC such financial reports and other data relating to the Franchised Business and its operations as TCTC deems reasonably necessary or appropriate for assignee and/or TCTC to evaluate the Franchised Business and the proposed transfer. Franchisee agrees that TCTC has the right to confer with proposed assignees and furnish them with information concerning the Franchised Business and proposed transfer without being held liable to Franchisee, except for intentional misstatements made to an assignee.

(8) **Other Conditions.** Franchisee must have complied with any other conditions that TCTC reasonably requires from time to time as part of its transfer policies.

E. **Death, Disability or Incapacity.** If in the event of a death, disability or incapacity of Franchisee, or, if Franchisee is a legal entity of Franchisee's Principal Owner(s), the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as Franchisee or a Principal Owner of Franchisee, such person or entity must request TCTC's consent, pay the applicable transfer fee, and satisfy the transfer conditions under this Section, as in any other case of a proposed transfer, all within 120 days of the death or event of disability or incapacity. The failure to effect an approved transfer within such 120 day period constitutes a material default under this Agreement. During any transition period to an heir or successor-in-interest, the Franchised Business still must be operated in accordance with the terms and conditions of this Agreement. If TCTC is required to run the Franchised Business for a time due to Franchisee's or a Principal Owner's death, incapacity, unexcused absence or as otherwise allowed under this Agreement, TCTC will charge a management fee of \$500 per day per person reasonably required to operate the Franchised Business, plus its costs of travel, meals and lodging and our reasonable overhead expenses related thereto. In addition, Franchisee must continue to pay all Royalty Fees, Ad Fund Contributions and other fees due under this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to TCTC and TCTC will not have a right of first refusal as set forth in this Section.

F. **Right of First Refusal.** If Franchisee proposes to transfer or assign this Agreement, its interest herein or in the Franchised Business, in whole or in part, to any third party, including, without limitation, any transfer related to death, disability or incapacity or the transfer of an interest in Franchisee as set forth in this Section, Franchisee first must offer to sell to TCTC such interest. In the event of a bona fide offer from a third party, Franchisee must obtain from the third-party offeror and deliver to TCTC a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. TCTC will then have 30 days from its receipt of the statement setting forth the third-party offer and other requested information to accept the offer by delivering written notice of acceptance to Franchisee. TCTC will have an additional 45 days to complete the purchase if it elects to exercise its right of first refusal. TCTC's acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to TCTC; provided, however, TCTC has the right to substitute equivalent cash for any noncash consideration included in the offer. If TCTC does not accept the offer within the 30-day period,

Franchisee will be free for 60 days after such period to effect the transfer described in the statement delivered to TCTC provided such transfer is in accordance with this Section. Franchisee may affect no other sale, assignment, or transfer of Franchisee, this Agreement or the Franchised Business without first offering the same to TCTC in accordance with this Section.

G. Transfer by TCTC. TCTC has the right to sell or assign, in whole or in part, its interest in this Agreement.

## 15. **FRANCHISOR'S TERMINATION RIGHTS**

A. Grounds. Franchisee will be in default, and TCTC may, at its option, terminate this Agreement, as provided herein, if

(1) Franchisee fails to select and receive approval of a site for the premises of the Franchised Business or open and commence operation of the Franchised Business, or otherwise receive an extension as set forth herein, within the required time periods;

(2) Franchisee violates any material provision or obligation of this Agreement;

(3) Franchisee or any of guarantor, limited liability company managers, directors, officers or majority owners or shareholders are convicted of, or plead guilty to or no contest to a charge of violating any law which adversely impacts upon the reputation of the TCTC, the Franchised Business or The Closet Trading Co. brand;

(4) Franchisee fails to conform to the material requirements of the System or the material standards of uniformity and quality of the products and services promulgated by TCTC in connection with the System or this Agreement;

(5) Franchisee fails to timely pay any of its obligations or liabilities due and owing to TCTC, under this agreement or otherwise, suppliers, banks, other creditors or any governmental unit or agency;

(6) Franchisee is insolvent within the meaning of any applicable law;

(7) Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

(8) Franchisee voluntarily or otherwise abandons the Franchised Business by failing to operate the business for five consecutive days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for TCTC to conclude that Franchisee does not intend to continue to operate the Franchised Business;

(9) Franchisee is involved in any act or conduct that materially impairs the goodwill associated with the name The Closet Trading Co. or any of the Marks or the System including without limitation the failure to protect the confidentiality of TCTC or customer information;

(10) Franchisee breaches any non-competition obligation;

(11) Franchisee fails to successfully complete the required training;

(12) Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, or operates the Franchised Business in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation within 72 hours, after Franchisee receives notice from TCTC or any other party;

(13) Franchisee fails to pay taxes as required under applicable law, including without limitation all employment related taxes, or suffers any federal, state or local tax lien, levy or suit to enforce the same, brought against Franchisee or Franchisee's property;

(14) Franchisee or any of Franchisee's owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of Franchisee's owners otherwise violate any such law, ordinance, or regulation.

(15) Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the acquisition of the Store;

(16) Franchisee fails at any time after the first three years of the initial term, to maintain Gross Sales for any two consecutive three month periods, at least equal to 50% of the average Gross Sales of all franchised and company-owned TCTC Stores in Franchisee's region (if the Franchised Business is the only one in its region, then the standard for calculating average Gross Sales will be 50% of the Franchised Business's Gross Sales for the prior year; provided, however, that TCTC may reasonably group locations other than by region in calculating the average Gross Sales figure); or

(17) Franchisee has violated the terms of any other agreement with TCTC or its affiliated entities or vendors, in which case Franchisee may be cross-defaulted for the existing default of the agreement with the related party.

B. Termination with Notice and No Opportunity to Cure. TCTC may terminate this Agreement immediately upon delivery of written notice to Franchisee, with no opportunity to cure, if the termination results from any of the following:

(1) Franchisee fails to comply with one or more material requirements of the Agreement three or more times in any 12 month period;

(2) the nature of Franchisee's breach makes it not curable;

(3) Franchisee willfully and repeatedly deceives customers relative to the source, nature or quality of goods sold;

(4) any default under items (3), (6), (7), (8), (9), (10), (12), (14), (15), or (16) in Section 15(A); or

(5) Franchisee willfully and materially falsifies any report, statement, or other written data furnished to TCTC. Any report submitted pursuant to Section 13 will be conclusively deemed to be materially false if it understates Gross Sales by more than 5%.

C. Termination with Notice and Opportunity to Cure for Failure to Make Payment. TCTC may terminate this Agreement for failure to make payments, as described in Section 15(A)(5), upon 10

days written notice to Franchisee. If Franchisee does not cure the failure to make payment within such 10 day period, TCTC may terminate this Agreement by providing written notice of such termination to Franchisee.

D. Termination with Notice and Opportunity to Cure. For all other breaches or defaults, Franchisee will have 30 days or the time specified in applicable provision, or such longer period as applicable law may require, after its receipt from TCTC of a written notice of default within which to remedy any default hereunder, and to provide evidence thereof to TCTC. If Franchisee fails to cure the alleged default within that time, or such longer period of time as applicable law may require, this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the applicable period, or such longer period as applicable law may require.

16. **FRANCHISEE'S TERMINATION RIGHTS.** Franchisee may terminate this Agreement, as provided herein, if TCTC violates any material obligation of TCTC to Franchisee and fails to cure such violation within 60 days after TCTC's receipt of written notice from Franchisee, or such longer time as may be required due to the nature of the violation; provided, however, that Franchisee must be in substantial compliance with this Agreement at the time of giving such notice of termination. Franchisee's written notice will identify the violation and demand that it be cured.

17. **OBLIGATIONS UPON TERMINATION**

A. Post Term Duties. If this Agreement expires or is terminated for any reason, Franchisee will:

(1) within 30 calendar days after termination, pay all amounts due and owing to TCTC under this Agreement;

(2) return to TCTC the Brand Standards Manual and any other manuals and all copies thereof, advertising materials, and all other printed materials pertaining to the operation of the Franchised Business;

(3) comply with all other applicable provisions of this Agreement, including the non-compete provisions;

(4) immediately cease use of The Closet Trading Co. name, the Marks and the System;

(5) take all action necessary to assign or transfer to TCTC all rights to use any telephone, facsimile or other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, internet and website directory listings, social media accounts, web based platform and program accounts and other media related to the operation of the Store or Franchised Business and provide to TCTC all necessary usernames, passwords, credentials or other information necessary to operate or access any such accounts; and

(6) execute all documents and do all such things as may be necessary to remove the name of Franchisee from any register relating to business names and the Marks which are the property of TCTC, and for this purpose Franchisee appoints TCTC its true and lawful attorney for it and in its name to execute all such documents and do all such things as may be necessary to remove the name of Franchisee.

B. Redecoration. If this Agreement expires or is terminated for any reason, Franchisee will, at its expense, alter, modify and change, both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of TCTC Stores. At a minimum, such changes and modifications to the premises will include:

- (1) repainting the premises with totally different colors;
- (2) removing all signs and other materials bearing the name The Closet Trading Co. and other Marks;
- (3) removing from the premises all fixtures which are indicative of TCTC Stores;
- (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; and
- (5) discontinuing use of all Confidential Information regarding the operation of the Franchised Business.

If Franchisee fails to complete such required modifications or alterations within a reasonable time after expiration or termination, Franchisee agrees that TCTC may enter the premises for the purposes of making such modifications. Franchisee agrees to reimburse TCTC for its reasonable expenses related to such redecoration and modification.

C. Purchase Option. Upon expiration or termination of this Agreement, Franchisee hereby grants to TCTC the right to:

(1) acquire, in our sole discretion, all or any part of Franchisee's inventory, equipment, signs and accessories and other personal property relating to the Franchise at the then-existing fair market value of such item or items as of the date of expiration or termination of this Agreement. If the fair market value is not agreed to by the parties, the fair market value will be established by an independent appraisal. The appraisal shall be done at TCTC's expense by an appraiser selected by TCTC. No goodwill shall be considered associated with the Franchised Business or said items. TCTC must exercise this option within 45 days of such expiration or termination by giving Franchisee written notice of its intent to exercise this option to purchase. Unless otherwise agreed by Franchisee, the purchase price as determined hereunder shall be paid in cash within the option period. If TCTC has not notified Franchisee of its election to exercise this option within the aforesaid period, it shall be conclusively presumed that TCTC has elected not to exercise its option and Franchisee is then free to sell or transfer such assets to any person or entity on such terms as you may so choose.

(2) Take over the lease for the premises of the Franchised Business pursuant to the consent to lease assignment attached hereto as Exhibit F.

The purchase contract for such assets and contracts, as set forth in this Section, shall include standard representations, warranties, covenants and indemnities from Franchisee as to the assets and contracts being purchased, including without limitation, warranties of good title, absence of liens, compliance with laws, absence of defaults under contracts, litigation and tax compliance. TCTC has no obligation to pay for goodwill or other intangible assets or costs of the Franchised Business.

D. Liquidated Damages. Upon early termination of this Agreement by TCTC according to its terms and conditions or Franchisee's termination of this Agreement without cause, Franchisee agrees to pay TCTC within 30 days after termination, in addition to the amounts otherwise owed to TCTC related to operations or activities prior to such termination, liquidated damages equal to the sum of accrued Royalty Fees during the immediately preceding 24 full calendar months, plus any applicable taxes assessed on such payment. If the remaining term of this Agreement is less than 24 months, the number of previous months Royalty Fees is reduced to the number of months remaining in the term of this Agreement. TCTC and Franchisee agree that actual damages upon termination as set forth above will be difficult or impossible to ascertain and that these liquidated damages are a reasonable, good faith estimate of those damages and are not a penalty. Payment of liquidated damages shall be in addition to TCTC's other rights in this Agreement.

## 18. FRANCHISEE'S COVENANTS NOT TO COMPETE

A. During Term. Franchisee and, if Franchisee is an entity, all owners, shareholders, partners or members owning, directly or indirectly, a beneficial ownership interest in Franchisee, and all spouses and immediate family members of such individuals, will not, during the term of this Agreement, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any person or entity that sells pre-owned women's designer fashion clothing, accessories, and related products or is the same as, similar to, or competes, directly or indirectly, with TCTC Stores where such non-competition provisions are enforceable, except with the prior written consent of TCTC. Franchisee may not circumvent, avoid or bypass TCTC in any manner, directly or indirectly, to avoid payment of fees, royalties, or any other obligation in any way involving any of the parties or direct customers or potential customers to any competing business of TCTC Stores.

B. Post Termination. Except as authorized by TCTC in writing prior to termination or expiration of this Agreement, Franchisee and, if Franchisee is an entity, all owners, shareholders, partners or members owning, directly or indirectly, a beneficial ownership interest in Franchisee, and all spouses and immediate family members of such individuals, will not, for a period of two years after the expiration or termination of this Agreement, except for a termination as a result of a TCTC's breach, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership, or corporation, own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in or assist any person or entity that sells pre-owned women's designer fashion clothing, accessories, and related products or is the same as, similar to, or competes, directly or indirectly, with TCTC Stores which is located within 25 miles of an existing or previously existing TCTC Store and only in jurisdictions where such non-competition provisions are enforceable; provided, however, Franchisee may continue to operate any TCTC Store for which Franchisee is in good standing pursuant to a separate, effective franchise agreement with TCTC. Franchisee expressly agrees that the two-year period and the geographic restrictions, where enforceable, are the reasonable and necessary time and distance needed to protect TCTC if this Agreement expires or is terminated for any reason. Franchisee agrees that the length of time in above will be tolled for any period during which Franchisee is in breach of the covenants or any other period during which TCTC seeks to enforce this Agreement. The Parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

C. Enforcement. Franchisee shall cause all individuals with managerial responsibility for the Franchised Business and all owners of Franchisee, if Franchisee is an entity, who have not executed a personal guaranty of the obligations in this Agreement to execute a non-competition and non-disclosure



agreement substantially in the form set forth on Exhibit D and shall provide such agreement to TCTC. Franchisee shall also cause all employees with access to Confidential Information to execute a non-disclosure and non-competition agreement with protections similar to those set forth in Exhibit D but appropriate as to time and scope for such employee's duties. Notwithstanding anything in this Section, neither Franchisee nor its owners shall be precluded from ownership of securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% percent or less of the class of securities. Franchisee agrees that damages alone cannot adequately compensate TCTC if there is a violation of these noncompetitive covenants and that injunctive relief is essential for the protection of TCTC. Franchisee therefore agrees that in case of any alleged breach or violation of this Section by it, TCTC may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to TCTC in equity or law.

## 19. **ARBITRATION, ENFORCEMENT AND DAMAGES**

A. **Arbitration Process.** Except to the extent TCTC elects to enforce the provisions of this Agreement by judicial process and injunction as specifically provided for herein, all disputes, claims and controversies between the Parties arising under or in connection with this Agreement or the making, performance or interpretation thereof, including, but not limited to, claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter, must be settled, upon demand and written notice by either Party by a single mutually acceptable arbitrator who has had at least five years of experience in the area of franchising or trademark licensing. If the Parties are unable to agree upon a single arbitrator, any Party may request that the American Arbitration Association appoint such arbitrator. The proceedings will be conducted in accordance with the commercial arbitration rules of the American Arbitration Association to the extent such rules are not inconsistent with the provisions of this arbitration provision. The arbitration proceedings will take place in Los Angeles County, California. The decision of the arbitrator will be in writing and final and binding on all Parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, Franchisee and TCTC will fully perform their respective obligations under this Agreement.

B. **Additional Proceedings.** If, after TCTC or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is non-arbitrable for public policy reasons, the Party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counter claims or defenses in a court having competent jurisdiction.

C. **Injunctive Relief.** Notwithstanding the other provisions of this Section, Franchisee recognizes that the failure of a single franchisee to comply with the terms of its Agreement could cause irreparable damage to TCTC, its corporate owned locations, other franchisees in the system, and all TCTC Stores. TCTC and Franchisee therefore agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee or in the event of any conduct by Franchisee which is illegal or is dishonest or misleading to Franchisee's customers or prospective customers, may impair the goodwill associated with the Marks, may reveal Confidential Information, or relates to the non-competition covenants herein, TCTC may seek an injunction restraining such breach or a decree of specific performance, without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator. The foregoing equitable remedy will be in addition to, and not in lieu of, all other remedies or rights that TCTC might otherwise have by virtue of any breach of this Agreement by Franchisee.

D. Attorneys' Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing Party or Parties shall be entitled to reasonable attorneys' fees and other costs reasonably incurred in such action or proceeding.

E. Waiver of Trial by Jury. TO THE EXTENT THAT EACH PARTY MAY LAWFULLY DO SO, FRANCHISEE AND FRANCHISOR BOTH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION THAT MAY BE BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION HEREWITH.

F. Consequential or Punitive Damages. IN NO EVENT WILL FRANCHISOR BE LIABLE TO FRANCHISEE FOR CONSEQUENTIAL OR PUNITIVE DAMAGES IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT; ANY BREACH, TERMINATION, CANCELLATION OR NON-RENEWAL OF THIS AGREEMENT; OR IN ANY OTHER ACTION OR PROCEEDING WHATSOEVER BETWEEN THE PARTIES AND/OR ANY OF THEIR AFFILIATES. FRANCHISEE HEREBY WAIVES AND COVENANTS NEVER TO ADVANCE ANY SUCH CLAIM FOR CONSEQUENTIAL OR PUNITIVE DAMAGES.

## 20. GUARANTY

If Franchisee is a partnership, corporation, a limited liability company or other business entity, personal guaranties shall be required from all shareholders, partners or members owning, directly or indirectly, at least 5% of the beneficial ownership interest in Franchisee. Franchisee shall provide to TCTC a list of all such owners as of the Effective Date by completing Exhibit C and shall provide to TCTC as soon as reasonably possible after a change of ownership any updates to the ownership that occur during the term of this Agreement. Nothing in the paragraph shall be construed to limit the application of the transfer provisions under this Agreement or Franchisee's obligation to comply with such provisions. The required personal guaranties for each such owner must be executed on TCTC's standard form Guaranty attached hereto as Exhibit E concurrently with the execution of this Agreement or at such time such owner becomes an owner of Franchisee. TCTC may also require the spouse of any such owner to execute the Guaranty. If Franchisee is in breach or default under this Agreement, TCTC may proceed directly against each such individual and/or entity guarantor without first proceeding against Franchisee and without proceeding against or naming in the suit any other such individuals and/or entities. Franchisee's obligations and those of each such individual and/or entity will be joint and several. Notice to or demand upon one such individual and/or entity will be considered notice to or demand upon Franchisee and all such individuals and/or entities and no notice or demand need be made to or upon all such individuals and/or entities. The cessation of or release from liability of Franchisee or any such individual and/or entity guarantor will not relieve any other individual and/or entity from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

## 21. MISCELLANEOUS

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any

provision of this Agreement or any specification, standard or operating procedure prescribed by TCTC is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions. If an invalid or unenforceable provision is deemed by TCTC to be an essential term of this Agreement, TCTC shall have the option of terminating the Agreement with immediate effect by providing written notice to Franchisee.

B. Waiver; Amendment. No waiver by TCTC of any breach by Franchisee, nor any delay or failure by TCTC to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce TCTC's rights with respect to that or any other subsequent breach. Subject to TCTC's rights to modify the Brand Standards Manuals, System and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by both Parties.

C. Cumulative Rights. The rights of TCTC and Franchisee hereunder are cumulative and no exercise or enforcement by TCTC or Franchisee of any right or remedy hereunder will preclude the exercise or enforcement by TCTC or Franchisee of any other right or remedy hereunder or which TCTC or Franchisee is entitled by law to enforce.

D. Governing Law; Forum; Limitation Period. This Agreement will be governed by the laws of the State of California, without regard to its conflicts of law principles. Forum shall be exclusively in the United States District Court for the Central District of California, or, if such court does not have subject matter jurisdiction, the courts of the State of California sitting in Los Angeles County, and any appellate court from any thereof. In connection therewith, each Party hereby agrees to submit to the jurisdiction of such courts and to waive any possible defense of forum non conveniens and/or lack of personal jurisdiction before such court. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and TCTC, or Franchisee's operations, brought by either Party hereto against the other, must be commenced within one calendar year of the occurrence of the facts giving rise to such claim or the action shall be barred.

E. Binding Effect. This Agreement is binding upon the Parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

F. Consents. Whenever a Party's consent or approval is required under this Agreement, such consent or approval will not be unreasonably withheld or delayed.

G. Headings; Construction. The headings and table of contents used herein are for purposes of convenience only and will not be used in constructing the provisions hereof. As used herein, the male gender will include the female and neuter genders, the singular will include the plural, and the plural, the singular. If Franchisee consists of more than one individual, all individuals will be bound jointly and severally by the provisions of this Agreement.

H. Entire Agreement. This Agreement together with the exhibits, addenda and appendices hereto constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations TCTC made in the Disclosure Document furnished to Franchisee. Franchisee acknowledges that it is entering into this Agreement as a result of its own independent

investigation of the Franchised Business and not as a result of any representations about TCTC made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

I. Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any Party, except the timely payment of fees to TCTC, the same shall not be deemed a breach of this Agreement if it arose from causes beyond the control of and without the fault or negligence of said Party. Such causes include, but are not limited to, acts of God, actions of the elements, lockouts, strikes, wars, riots, civil commotion, and acts of the government except as otherwise provided for in this Agreement. If the cause of the Force Majeure continues for more than 90 calendar days, the Party not claiming the Force Majeure as a basis for non-performance may terminate this Agreement with immediate effect by providing notice to the other Party.

22. **NOTICES**

All notices, requests, demands, payments, consents, and other communications hereunder will be transmitted in writing and sent by registered or certified United States mail, postage prepaid, or by overnight commercial courier to the following address or such other address as designated in writing pursuant to this Section:

**FRANCHISOR:** The Closet Trading Company Franchising, LLC  
Attn: Johanna Zlenko  
714 State Street  
Santa Barbara, CA 93101

With copy to:  
Kirton McConkie  
50 E. South Temple #400  
Salt Lake City, UT 84111

Attn: Dan Purdie

**FRANCHISEE:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any notice will be deemed to have been duly given upon receipt, or, in the case of refusal to accept delivery or inability to deliver through no fault of the delivering Party, the earlier of (i) the date of the attempted delivery or inability to deliver through no fault of the delivering Party; (ii) the delivery date of the return receipt; or (iii) the date of the receipt of notice of refusal or notice of non-delivery by the sending Party.

23. **SPECIFIC REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS.**

A. 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. Franchisee acknowledges that:

- (1) It has made no payment to TCTC before the execution of this Agreement.

\_\_\_\_\_  
Initials

(2) It has received a Franchise Disclosure Document at least fourteen (14) calendar days before entering into a binding agreement with or making any payment to TCTC and signed a receipt page indicating the day Franchisee received the Franchise Disclosure Document.

\_\_\_\_\_  
Initials

(3) The success or failure of its franchise will depend on a wide variety of factors including, Franchisee's skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors.

\_\_\_\_\_  
Initials

(4) Other franchisees of TCTC may be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchise agreements may vary substantially from those contained in this Agreement. Franchisee further acknowledges and agrees that TCTC, in its sole and absolute discretion may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. TCTC is under no obligation to disclose or offer the same or similar variances to the Franchisee and TCTC's obligations and rights as to those franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initials

*[Signature page to follow]*

IN WITNESS WHEREOF, the Parties enter into this Agreement as of the Effective Date.

**FRANCHISOR**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

**FRANCHISEE**

\_\_\_\_\_

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

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

\_\_\_\_\_

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

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

**EXHIBIT A**

**AUTHORIZED LOCATION AND PROTECTED TERRITORY**

**TCTC:** The Closet Trading Company Franchising, LLC

**Franchisee:**

**Authorized Location:**

1. Pursuant to Section 1(b) of the Franchise Agreement, TCTC and Franchisee hereby acknowledge and agree that the below listed address is the Authorized Location for the Store to be opened pursuant to the Franchise Agreement.

**Authorized Location:**

2. Pursuant to Section 1(c) of the Franchise Agreement, TCTC and Franchisee hereby agree that the Protected Territory for the Store to be opened pursuant to the Franchise Agreement is defined by the following geographical boundaries as the exist as of the Effective Date:

**FRANCHISOR**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

**FRANCHISEE**

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

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

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

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

## EXHIBIT B

### ACKNOWLEDGEMENT OF OPENING

**TCTC:** The Closet Trading Company Franchising, LLC

**Franchisee:**

**Authorized Location:**

Franchisee hereby acknowledges and agrees that The Closet Trading Co. store at the address listed above opened for business on \_\_\_\_\_ (the "Opening Date"). Accordingly, the initial term of the Franchise Agreement shall expire ten (10) years from the Opening Date

The name and contact information for the initial manager of the Store are as follows:

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

**FRANCHISEE**

\_\_\_\_\_

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

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



**EXHIBIT C**

**ENTITY OWNERSHIP ADDENDUM**

1. Entity Owners. If Franchisee is an entity, Franchisee represents and warrants to TCTC that each shareholder owning directly or beneficially 5% or more of any class of securities of the entity; and general partner or co-venturer in the entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially 5% or more of the ownership interest in the entity; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, 5% or more of the interest in the trust or estate (“Entity Owners”) are listed below. If an Entity Owner is itself an entity, the term “Entity Owner” also includes Entity Owners in the entity. Entity Owners are as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Change. Franchisee agrees to immediately notify TCTC in writing of any change in the information contained in this Addendum and, at TCTC’s request, prepare and sign a new Addendum containing the correct information.

3. Date of Addendum. The date of this Addendum is \_\_\_\_\_, 20\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

## EXHIBIT D

### NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (this “Agreement”) is entered into and made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) and the undersigned individual (“Individual”) in favor of The Closet Trading Company Franchising, LLC, a Wyoming limited liability company, and its successors and assigns (the “Company”).

WHEREAS, Franchisee has acquired the right from the Company to: (i) establish and operate a The Closet Trading Co. franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks and the Company’s unique system relating to the establishment and operation of The Closet Trading Co. stores (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion; and

WHEREAS, Individual will be provided with access to certain information regarding the Franchised Business and the System, including Confidential Information (as defined below) in connection with Individual being a [INSERT TITLE/ROLE WITH FRANCHISEE] of Franchisee.

NOW, THEREFORE, in consideration of Individual’s position with Franchisee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Individual and Franchisee agree as follows:

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 “Brand Standards Manual”); the System; customer data and customer lists; site selection criteria; information regarding products; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating The Closet Trading Co. stores; marketing and advertising programs; knowledge of specifications for and suppliers of products, products and other supplies; any computer software or similar technology which is proprietary to the Company or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of outlets other than the Franchised Business; and, graphic designs and related intellectual property (collectively, the “Confidential Information”). 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.
2. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of Franchisee, the Company and Franchisee will disclose the Confidential Information to Individual, which may include furnishing to Individual the training program and subsequent ongoing training, the Brand Standards Manual, and other general assistance while Individual maintains such position with Franchisee.

3. Individual acknowledges and agrees that he/she 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, in whole or in part, for any use outside the System would constitute an unfair method of competition.
4. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to Individual solely on the condition that Individual agrees, and Individual does hereby agree, that he/she shall hold in strict confidence the Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, Individual will disclose and/or use the Confidential Information only in connection with his/her duties as [INSERT TITLE] of Franchisee, and will continue not to disclose any such information even after Individual ceases to be in that position and will not use any such information even after Individual ceases to be in that position unless Individual can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee, or any agent, representative, employee or other party related to Franchisee, under the Franchise Agreement. Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. Individual shall promptly provide written notice of any such order to Franchisee.
5. Individual will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.
6. Except as otherwise approved in writing by the Company, Individual shall not, while in his/her position with Franchisee, for his/her self, 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 any other business that engages in or grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that sells pre-owned women's designer fashion clothing, accessories, and related products or is the same as, similar to, or competes, directly or indirectly, with The Closet Trading Co. stores (collectively, a "Competing Business"). Individual also agrees that he/she will not undertake any action to divert business from the Franchised Business or any other The Closet Trading Co. store to any Competing Business or solicit any of the former customers or employees of the Company, Franchisee or any other franchisee of the Company for any competitive business purpose.
7. In the event Individual is 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 Individual further agrees that he/she will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of Individual's position with Franchisee for any reason: (i) at or within a 25 miles of the location of the Franchised Business; or (ii) within 25 miles of any other The Closet Trading Co. business that exists at the time Individual's position with Franchisee ceases through the date of Individual's involvement with the Competing Business. Individual also agrees that he/she will not undertake any action to divert business from the Franchised Business or any other The Closet Trading Co. store to any Competing Business during this two-year period following the

termination or expiration of Individual's employment with Franchisee. Notwithstanding the foregoing, Individual shall not be precluded from ownership of securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% percent or less of the class of securities.

8. Individual agrees 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, Individual expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.
9. Individual understands and acknowledges 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 Individual's consent, effective immediately upon receipt by Individual of written notice thereof; and Individual agrees to comply forthwith with any covenant as so modified.
10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. Individual is aware that his/her violation of this Agreement will cause the Company and Franchisee irreparable harm; therefore, Individual acknowledges and agrees that Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. Individual agrees to pay Franchisee and the Company all costs incurred, including, without limitation, legal fees and expenses, if this Agreement is enforced against Individual. Due to the importance of this Agreement to Franchisee and the Company, any claim Individual has against Franchisee or the Company is a separate matter and does not entitle Individual to violate, or justify any violation of this Agreement.
11. Individual shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.
12. Franchisee shall make all commercially reasonable efforts to ensure that Individual acts as required by this Agreement.
13. Any failure by Franchisee to object to or take action with respect to any breach of this Agreement by Individual shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Individual.
14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [STATE], WITHOUT REGARD TO ITS CONFLICTS OF LAW PRINCIPLES. INDIVIDUAL HEREBY IRREVOCABLY SUBMITS HIMSELF/HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF [STATE], COUNTY OF [COUNTY]. INDIVIDUAL HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. INDIVIDUAL HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON INDIVIDUAL IN ANY

PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED UNDER APPLICABLE LAW. INDIVIDUAL FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISEE OR THE COMPANY MAY BRING SUCH ACTION IN ANY COURT OF COMPETENT JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisee or the Company. The parties 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 any unappealed final decision to which Franchisee or the Company is a part, Individual expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.
16. Except with respect to any franchise agreement of the Company to which Individual has guaranteed any obligations, this Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. Except as otherwise specifically set forth herein, this Agreement may be modified only by a duly authorized writing executed by all parties.
17. If Individual violates any of the terms of the restrictive covenant obligations in this Agreement, the obligation at issue will begin to run from the first date on which Individual ceases to be in violation of the obligation/the restriction period for all such restrictions shall automatically be extended by the period Individual was in violation of such obligation.
18. All notices, requests, demands, payments, consents, and other communications hereunder will be transmitted in writing and sent by registered or certified United States mail, postage prepaid, or by overnight commercial courier to the following address or such other address as designated in writing pursuant to this Section:

If to Franchisee:

\_\_\_\_\_

Attn: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

If to Individual, at the address set forth in the signature block.

Any notice will be deemed to have been duly given upon receipt, or, in the case of refusal to accept delivery or inability to deliver through no fault of the delivering party, the earlier of (i) the date of the attempted delivery or inability to deliver through no fault of the delivering party; (ii)

the delivery date of the return receipt; or (iii) the date of the receipt of notice of refusal or notice of non-delivery by the sending party.

19. The rights and remedies of Franchisee under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. Individual may not assign this Agreement or any part hereof. Any purported assignment by Individual shall be null and void from the initial date of purported assignment.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the date first set forth above.

**INDIVIDUAL**

**FRANCHISEE**

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

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

## EXHIBIT E

### GUARANTY

In consideration of, and as an inducement to, the execution of The Closet Trading Co. Franchise Agreement between The Closet Trading Company Franchising, LLC (“TCTC”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Franchise Agreement”), and for other good and valuable consideration, each of the undersigned for themselves, their heirs, legal representatives, successors and assigns (collectively the “Guarantors”) do hereby unconditionally, individually, jointly and severally guaranty to TCTC, and to its successors and assigns, the full, complete and timely payment and performance of each and all of the terms, covenants and conditions of the Franchise Agreement, and any modification or amendment to the Franchise Agreement, to be kept and performed by Franchisee during the term of the Franchise Agreement, including without limitation the payment of all fees and charges accruing pursuant to the Franchise Agreement.

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the Guarantors had executed a franchise agreement containing the identical terms and conditions of the Franchise Agreement, including without limitation the provisions relating to Confidential Information and covenants not to compete. This Guaranty shall continue in favor of TCTC notwithstanding any extension, modification, or alteration of the Franchise Agreement, and notwithstanding any assignment of the Franchise Agreement, with or without TCTC’s consent. No extension, modification, alteration or assignment of the Franchise Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any such extension, modification, alteration or assignment.
2. This Guaranty will continue unchanged by the occurrence of any event of insolvency with respect to Franchisee or any assignee or successor of Franchisee or by any disaffirmance or abandonment of the Franchise Agreement by a trustee in bankruptcy of Franchisee. Each Guarantor’s obligation to make payment or render performance in accordance with the terms of this Guaranty and any remedy for the enforcement of this Guaranty will not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.
3. Each Guarantor’s liability under this Guaranty is primary and independent of the liability of Franchisee and any other Guarantors. Each Guarantor waives any right to require TCTC to proceed against any other person or to proceed against or exhaust any security held by TCTC at any time or to pursue any right of action accruing to TCTC under the Franchise Agreement. TCTC may proceed against each Guarantor and Franchisee, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Franchisee or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty.

4. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Franchisee.

5. Each Guarantor waives notice of any demand by TCTC, any notice of default in the payment of any amounts contained or reserved in the Franchise Agreement, or any other notice of default under the Franchise Agreement. Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by TCTC, or its successors or assigns, or the failure of TCTC to enforce any of the terms, covenants or conditions of the Franchise Agreement or this Guaranty, or the granting of any indulgence or extension of time to Franchisee, all of which may be given or done without notice to the Guarantors.

6. This Guaranty shall extend, in full force and effect, to any assignee or successor of TCTC and shall be binding upon the Guarantors and each of their respective successors and assigns.

7. Until all obligations of Franchisee to TCTC have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which TCTC has or may in the future have against Franchisee and any benefit of, and any right to participate in, and security now or in the future held by TCTC.

8. All existing and future indebtedness of Franchisee to each Guarantor is hereby subordinated to all indebtedness and other obligations guaranteed in this Guaranty and, without the prior written consent of TCTC, shall not be paid in whole or in part, nor will any Guarantor accept any payment of or on account of any such indebtedness while this Guaranty is in effect.

9. This Guaranty shall be construed in accordance with the laws of the State of California, without giving effect to its conflict of laws principles.

**GUARANTORS**

---

Individually

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Print Name

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Address:

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City, State, Zip

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Telephone

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Individually

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Print Name

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Address:

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City, State, Zip

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Telephone



## EXHIBIT F

### LEASE ADDENDUM

This Lease Addendum (this “Addendum”) made and entered into this \_\_\_ day of \_\_\_\_\_ 20\_\_\_, and is attached to and made a part of that certain Lease Agreement by and between \_\_\_\_\_, a \_\_\_\_\_ having its principal offices at \_\_\_\_\_ (“Landlord”), and \_\_\_\_\_, a \_\_\_\_\_ having its principal office at \_\_\_\_\_ (“Tenant”).

WHEREAS, the Landlord and the Tenant have entered into a certain lease agreement concurrently herewith (the “Lease”) for the premises having an address of \_\_\_\_\_, as more particularly described in the Lease (the “Leased Premises”) for use by the Tenant as business to be opened pursuant to certain proprietary marks and system in connection with a written Franchise Agreement by and between The Closet Trading Company Franchising, LLC (hereinafter referred to as “TCTC”) and Tenant (the “Franchise Agreement”); and

WHEREAS, a condition to the approval of the Tenant’s specific location by TCTC is that the Lease for the Leased Premises designated for the operation of a The Closet Trading Co. store contain the provisions set forth herein.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration which is acknowledged by the parties hereto, Tenant and Landlord agree as follows:

1. During the term of the Lease, including renewals, if any, the Leased Premises shall not be used for any purpose other than the operation of a The Closet Trading Co. store.
2. Landlord and Tenant grant to TCTC the exclusive right, exercisable at the option of TCTC, to take assignment of and assume all rights, title and interest of Tenant in and to the Lease and the Leased Premises:
  - a. on the termination of the Franchise Agreement;
  - b. on the sale, transfer or assignment of the business licensed pursuant to the Franchise Agreement;
  - c. on the commencement of eviction or termination proceedings by the Landlord against Tenant; or
  - d. on cessation of the use of the Leased Premises as a The Closet Trading Co. store.

TCTC must give written notice to Landlord of its intent to exercise this option within thirty (30) days after the event triggering the option. If TCTC timely exercises its option, the Lease and all rights, title and interest of Tenant under the Lease and to the Leased Premises will be automatically, and without need of further documentation, assigned to TCTC and assumed by TCTC (or an entity to be formed and controlled by TCTC, provided TCTC guaranties the full performance of the Lease by such entity in such form as Landlord may reasonably require). If

TCTC does not give notice exercising its assignment option within the thirty (30) day period, TCTC will be deemed to have forfeited its rights under this Section. Upon TCTC's written request, Landlord and Tenant agree to execute documents acceptable to Landlord in its reasonable discretion confirming this assignment and assumption in form acceptable to Landlord in its reasonable discretion, including a short form of Assignment and Assumption of Lease suitable for recording. If TCTC takes assignment of the Lease pursuant to this Section, TCTC shall be deemed to have assumed all obligations of Tenant under the Lease and shall be obligated to cure any default in existence on the date of such assignment and assumption (the "Assumption Date") within the timeframe set forth in the Lease for curing such default after the Assumption Date. Landlord may rely upon any notice from TCTC that TCTC has assumed the Lease, notwithstanding any claim to the contrary or contesting TCTC's right to assume the Lease by Tenant, and, as a condition of the assumption, TCTC agrees to indemnify and hold harmless Landlord from any and all claims, losses, damages, costs and expenses, including reasonable attorneys' fees, incurred by Landlord as a result of any claim by Tenant as a result of TCTC's exercise of this assumption right.

3. If TCTC takes assignment and assumption of the Lease and the Leased Premises, TCTC may subsequently grant a franchise at the Leased Premises to another The Closet Trading Co. franchisee and may assign the Lease to a new The Closet Trading Co. franchisee, provided that TCTC notifies the Landlord of such assignment, and TCTC and the new franchisee execute an assignment and assumption of lease agreement in form acceptable to Landlord in its reasonable discretion. TCTC shall remain liable under the Lease notwithstanding such assignment and assumption unless the new franchisee has a tangible net worth at least equivalent to the tangible net worth of Tenant on this effective date of this Lease as reasonably determined by Landlord or Landlord, in its sole discretion, agrees in writing to release TCTC from liability. Landlord shall permit the assignment of the Lease and Leased Premises to said franchisee without the payment of any fee or other cost requirement. The parties agree to execute any commercially reasonable documents in furtherance of this Section.
4. During the Lease Term, Landlord and Tenant grant to TCTC the right to enter the Leased Premises upon reasonable notice during regular business hours to:
  - a. inspect and audit Tenant's business;
  - b. make any modifications necessary to protect The Closet Trading Co. trademarks, provided such modifications are made in accordance with the terms of the Lease; or
  - c. remove The Closet Trading Co. signage, trademarked items and other related materials, provided such removal is done in accordance with the terms of the Lease.
5. Landlord will endeavor to give TCTC written notice of any Tenant default under the Lease, and Landlord further agrees that it will not terminate the Lease or evict Tenant from the Premises unless it has given TCTC written notice of the Tenant default and TCTC has had the time period after TCTC's receipt of such notice provided for the curing of such default under the Lease before Landlord may exercise such remedy. Landlord acknowledges and understands that by curing Tenant's default, TCTC does not assume and Landlord shall not hold it responsible for any liabilities of Tenant unless TCTC assumes the Lease as provided in Section 2 herein. All notices directed to TCTC shall be sent to:

The Closet Trading Company Franchising, LLC  
Attn: Johanna Zlenko  
714 State Street  
Santa Barbara, CA 93101

6. In the event of a conflict between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall control.
7. Landlord and Tenant agree not to amend the Lease in any respect, except with the prior written consent of TCTC.
8. If Landlord has a lien on Tenant's equipment and inventory (the "Collateral") pursuant to either, statute, common law or the terms of the Lease, such lien shall be subordinate to TCTC's interest in the Collateral pursuant to the terms of the Franchise Agreement, and Landlord shall give TCTC at least ten (10) business days' prior written notice before commencing any action to enforce such lien against the Collateral.
9. Any approvals or consents required by Landlord under this Addendum shall not be unreasonably withheld.

Dated this \_\_ day of \_\_\_\_\_, 20\_\_.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

**FRANCHISOR:**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

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

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

**EXHIBIT G**

**DIRECT PAYMENT AUTHORIZATION**

\_\_\_\_\_ (“Franchisee”) hereby authorizes The Closet Trading Company Franchising, LLC (“TCTC”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) designated below with the depository institution designated below (“Bank”). Franchisee agrees that ACH transaction it authorizes comply with all applicable law.

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

Account Owner: \_\_\_\_\_

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

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Routing # (9 digits) \_\_\_\_\_

Account # \_\_\_\_\_

THIS AUTHORIZATION SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL TERMINATED IN WRITING BY FRANCHISEE. FRANCHISEE UNDERSTANDS FRANCHISOR AND BANK REQUIRE A REASONABLE AMOUNT OF TIME TO ACT ON SUCH A TERMINATION REQUEST AND FRANCHISEE AGREES SUCH TIME MAY BE UP TO 14 DAYS AFTER RECEIPT OF NOTICE. NOTICE SHOULD BE PROVIDED TO TCTC PURSUANT TO THE NOTICE PROVISION IN ITS FRANCHISE AGREEMENT WITH TCTC. Franchisee shall provide TCTC a voided check from the above-referenced account in conjunction with this authorization.

**FRANCHISEE**

\_\_\_\_\_

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

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

## EXHIBIT H

### GENERAL RELEASE AGREEMENT

This GENERAL RELEASE AGREEMENT (this “Release”) is entered into and made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”), each individual holding an ownership interest in Franchisee (collectively with Franchisee, the “Releasor”) and The Closet Trading Company Franchising, LLC, a Wyoming limited liability company, and its successors and assigns (“TCTC”). TCTC and Releasor are each sometimes referred to herein as a “Party” or collectively as the “Parties”.

WHEREAS, TCTC and Franchisee have entered into a Franchise Agreement (the “Franchise Agreement”) pursuant to which Franchisee was granted the right to own and operate a The Closet Trading Co. store (the “Franchised Business”);

WHEREAS, Franchisee has notified TCTC of its desire to transfer or sell and assign an ownership interest in the Franchised Business (as defined in the Franchise Agreement) at the Approved Location (as defined in the Franchise Agreement) and all rights related thereto, to a third party in accordance with the transfer provisions of the Franchise Agreement, and TCTC has consented to such transfer and agreed to enter into a successor franchise agreement; [or WHEREAS, Franchisee has notified TCTC of its desire to renew] and

WHEREAS, as a condition to TCTC’s consent to the transfer under the Franchise Agreement [or renewal of Franchisee’s ability to enter into a successor franchise agreement], Releasor and transferee has agreed to execute this Release upon the terms and conditions stated below;

NOW, THEREFORE, in consideration of TCTC’s consent to the transfer [TCTC entering into a successor franchise agreement], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Each Releasor severally represents and warrants that such party is duly authorized to enter into this Release and to perform the terms and obligations in this Release, and has not assigned, transferred or otherwise conveyed, either voluntarily or by operation of law, any of its rights or claims against TCTC or any of the rights, claims or obligations being terminated, released or waived hereunder.
2. Release of TCTC. Releasor and any subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge TCTC, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution, performance, default, assignment and termination of the Franchise Agreement and the offer and sale of the franchise related thereto. The Parties intend that this Release shall include, without limitation, claims, demands and causes

of action arising out of alleged misrepresentations of any kind or nature whatsoever, alleged breaches of contract (based upon implied, express, estoppel, waiver or alternative theories of contractual obligation), or breach of any alleged special, trust, agency or fiduciary relationship, whether asserted or proposed to be asserted by way of claim, setoff, affirmative defense, counterclaim, cross-claim or third party claim. The Releasors have been made aware of, and understand, the provisions of California Civil Code Section 1542 (“Section 1542”), which provides: “**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**” The Releasors expressly, knowingly, and intentionally waive any and all rights, benefits, and protections of Section 1542 and of any other state or federal statute or common law principle limiting the scope of a general release.

3. Confidentiality. Each Party hereto and their respective counsel, representatives and agents agrees that they will not disclose any of the terms of this Release. The parties and their respective counsel, representatives and agents are not, however, precluded from disclosing the terms of the Release to their attorneys, accountants, tax preparers paid financial advisors or any governmental, regulatory or judicial authority which might compel the disclosure of this Release. Notwithstanding the foregoing, if any of the parties is served with a subpoena or other governmental or judicial process seeking to compel the disclosure of this Release, it shall be the responsibility of the Party that receives the subpoena or other governmental or judicial process to promptly notify all other parties to this Release with sufficient time to afford the other parties to this Release an opportunity to move to quash the subpoena or oppose the entry of any order seeking to compel the disclosure of this Release. Additionally, in the event it becomes necessary to file this Release with a court in any future enforcement action between the parties, the parties hereby agree to apply jointly for leave to file this Release under seal.
4. Miscellaneous.
  - a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred. Releasor understands how this Release will affect your legal rights and voluntarily enter into this Release with such knowledge and understanding.
  - b. This Release shall be construed and governed by the laws of the State of California. The parties hereby consent and waive all objections to the non-exclusive personal jurisdiction of, and venue, in the United States District Court for the Central District of California and California state courts situated in Los Angeles County, California for the purposes of all cases and controversies involving this Release and its enforcement, and the Franchise Agreement.
  - c. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.
  - d. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys,

agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

- e. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties.
- f. This Release may be executed in multiple counterparts, as may be required, and it shall not be necessary that the signatures on behalf of each Party appear on one or more of the counterparts. All counterparts shall be deemed an original and all of which together shall constitute but one and the same document.
- g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
- h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

*[Signature page to follow]*

IN WITNESS WHEREOF, this Release is made and entered into by the Parties as of the date first set forth above.

**FRANCHISOR**

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

**INDIVIDUAL RELEASORS**

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

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

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

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

**THE CLOSET TRADING COMPANY  
FRANCHISING, LLC**

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



# EXHIBIT C

## AREA DEVELOPMENT AGREEMENT



## **AREA DEVELOPMENT AGREEMENT**

Between

The Closet Trading Company Franchising, LLC

a Wyoming limited liability company

and

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**Date of Area Development Agreement**

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**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

**AREA DEVELOPMENT AGREEMENT**

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## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between The Closet Trading Company Franchising, LLC, a Wyoming limited liability company, with its principal business address at 714 State Street, Santa Barbara, California 93101 (“TCTC”), and \_\_\_\_\_, a \_\_\_\_\_, with its principal address is \_\_\_\_\_ (“Developer”). Developer and TCTC may be referred to herein individually as a “Party” or collectively as the “Parties.”

WHEREAS, TCTC is in the business of granting to qualified individuals or entities, franchises (each a “Franchise”) the rights to operate a The Closet Trading Co.® branded store (a “TCTC Store”) using TCTC’s registered and unregistered trademarks, and other trademarks, trade names, service marks, trademarks, logos, emblems, and the like that TCTC authorizes from time to time (the “Marks”) and its system for the operation of a retail store that buys and sells women’s designer fashion, and related products designated by TCTC to and with the public in a beautiful, boutique environment (the “System”). TCTC grants each Franchise solely pursuant to a written franchise agreement signed by both Parties (each a “Franchise Agreement”);

WHEREAS, TCTC may also grant, in its sole discretion, the right to acquire multiple Franchises for the development and operation of TCTC Stores within a defined geographic area (the “Development Area”) pursuant to an agreed upon schedule (the “Development Schedule”); and

WHEREAS, Developer desires to acquire and develop multiple Franchises and TCTC agrees to grant such rights under the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, and covenants in this Agreement and subject to this Agreement, the Parties agree as follows:

### 1. **GRANT OF DEVELOPMENT RIGHTS; TERM**

A. **Development Rights.** Subject to the limitations set forth in this Agreement, TCTC hereby grants to Developer the right, and Developer accepts and undertakes the obligation, to acquire Franchises and develop and operate multiple TCTC Stores (the “Development Rights”) within the Development Area and in strict compliance with the Development Schedule, both as set forth in Exhibit A. The Development Rights are limited to the rights to acquire Franchises in accordance with this Agreement and the Development Schedule. The rights to develop and operate each individual Franchise and to use TCTC’s Marks are granted only pursuant to individual Franchise Agreements.

B. **Term.** Except as otherwise provided in this Agreement, the Development Rights shall commence on the Effective Date and continue until the earlier of: (i) the date on which the last TCTC Store listed on the Development Schedule is open for regular business or (ii) the last day listed on the Development Schedule (the “Term”). Developer shall have no right to renew or extend the Term or the rights herein granted.

C. **Development Area.** Provided that Developer is in full compliance with this Agreement, each Franchise Agreement, and all other agreements with TCTC, TCTC will not, during the Term, establish, operate, or license any other party to establish or operate a TCTC Store within the Development Area, as outlined in Exhibit A. Developer will not receive any exclusive rights or Development Area

regarding soliciting customers. Except as provided above, Developer may face competition from other franchisees or other channels of distribution.

D. Reservation of Rights. TCTC reserves all rights that it does not grant to Developer and it is not restricted in any manner from engaging in any business activity whatsoever that is not expressly prohibited by this Agreement or any Franchise Agreement. For example, and without limiting the foregoing, TCTC reserves the right to: (i) own and operate, and authorize others to own and operate TCTC Stores outside the Development Area or within the Development Area after the Term; (ii) the use of its name, to promote TCTC Stores branded services and to sell The Closet Trading Co. branded products over the internet and other means of electronic communication that are developed in the future, whether inside or outside of the Development Area; (iii) establish, in the future, whether inside or outside of the Development Area, other franchises or company-owned outlets to conduct a similar program or to sell similar services or products under a different trademark, or to do so through a different channel of distribution; (iv) acquire the assets or ownership interests of businesses, whether inside or outside of the Development Area; (v) be acquired or become controlled by any other business, whether inside or outside of the Development Area; (vi) operate or grant any third party, whether inside or outside of the Development Area, the right to operate any TCTC Stores that TCTC or TCTC's designees acquire as a result of the exercise of a right of first refusal or purchase right under this Agreement or any Franchise Agreement. This Agreement does not give Developer any right to franchise, license, subfranchise, or sublicense others to operate TCTC Stores. Only Developer (and/or approved affiliated entities) may construct, develop, open, and operate TCTC Stores pursuant to this Agreement. This Agreement also does not give Developer (or Developer's affiliated entities) any independent right to use the TCTC's Marks or other intellectual property. The right to use the Marks is granted only under a Franchise Agreement signed directly with TCTC. This Agreement only grants Developer potential Development Rights if Developer complies with its terms.

## 2. DEVELOPER DUTIES

A. Best Efforts; No Delegation. At all times during the Term of this Agreement, Developer shall use its best and continuing efforts to exercise the Development Rights in strict compliance with this Agreement and with the Development Schedule outlined in Exhibit A. Developer may not subcontract or delegate any of its obligations under this Agreement to any third parties.

B. Business Entity. If Developer is a corporation, partnership, limited liability company, or other form of business entity, Developer agrees and represents that:

(1) Developer's owners and their interests in Developer as of the Effective Date are set forth on Exhibit B; and

(2) Developer will designate, in writing, an individual with at least 20% ownership in Developer (the "Managing Developer") using Exhibit B. The Managing Developer must be approved by TCTC and must have the authority to deal with TCTC on Developer's behalf in all matters arising under or relating to this Agreement. TCTC is not obligated to discuss this Agreement or the Development Rights with any of Developer's owners or managers other than the Managing Developer.

### 3. **EXERCISE OF DEVELOPMENT RIGHTS**

A. **Execution of Franchise Agreements.** Simultaneously with the execution of this Agreement, Developer must sign and deliver to TCTC a Franchise Agreement for the first Franchise that Developer is obligated to acquire under the Development Schedule. For each subsequent Franchise, prior to signing a lease or contract for the location, but subsequent to Developer's receipt of TCTC's then current franchise disclosure document and the passage of the mandatory minimum waiting period, Developer must sign TCTC's then-current franchise agreement, which may include terms materially different from, and that may be less favorable to Developer than the franchise agreement in effect on the Effective Date of this Agreement. If Developer's owners establish a new legal entity to operate one or more of the TCTC Stores to be developed pursuant to this Agreement and that new legal entity's ownership is completely identical to Developer's ownership, that legal entity automatically will be considered an "approved affiliated entity" without further action. However, if the new legal entity's ownership is not completely identical to Developer's ownership, Developer first must seek our approval to allow that new entity to operate the proposed TCTC Store.

B. **Site Selection and Consent to Develop.** Developer is responsible for providing TCTC with the information it requests, including the information required under Developer's individual Franchise Agreements, for each site Developer proposes for a TCTC Store.

C. **Development Schedule.** Developer agrees to comply with the Development Schedule, as set forth in Exhibit A to this Agreement.

(1) TCTC does not make any representations with regard to the number of TCTC Stores that the Development Area can support or with regard to the number of suitable sites for TCTC Stores within the Development Area. Developer must conduct its own independent investigation to determine whether Developer can satisfy the terms of the Development Schedule.

(2) TCTC will determine whether Developer has met the development obligations under this Agreement based on the number of TCTC Stores that are open for business and operating in the regular course of business as of each date listed on the Development Schedule as described on Exhibit A. For purposes of the Development Schedule, the number of TCTC Stores operating must be operated pursuant to a fully signed and effective Franchise Agreement and a fully paid fee, with all operations in compliance with the applicable Franchise Agreement.

(3) DEVELOPER ACKNOWLEDGES AND AGREES THAT TIME IS OF THE ESSENCE UNDER THIS AGREEMENT AND THAT ITS RIGHTS UNDER THIS AGREEMENT ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF IT DOES NOT COMPLY STRICTLY WITH THE DEVELOPMENT SCHEDULE AND OTHER OBLIGATIONS PROVIDED HEREIN. TCTC MAY ENFORCE THIS AGREEMENT STRICTLY.

### 4. **REPORTING AND RECORD KEEPING**

A. **Business Plan.** Upon request from TCTC, Developer may be required to submit to TCTC a business plan showing Developer's projected revenues, costs, staffing and operations in exercising the Development Rights.

B. Financial Statements.

(1) Annual Statements. Upon request, Developer shall deliver to TCTC, within 30 days after the close of each calendar year during the Term of this Agreement, an annual profit and loss statement, a statement regarding the source and use of funds, and a balance sheet that include all of its activities.

(2) Purposes/Other Reports. These reports will be requested for benchmarking purposes and to allow TCTC to provide greater details in its later franchise disclosure documents should TCTC ever opt to provide financial performance representations to future potential franchisees and/or area developers. Developer shall also submit to TCTC such other financial and non-financial reports and information as TCTC may request from time to time. These statements and reports shall be certified as true and correct by Developer and shall be in the form and format that TCTC reasonably specifies.

C. Disclosure. TCTC may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Developer or its operations, including without limitation, earnings or other financial performance information. Developer agrees that TCTC shall be entitled to disclose such information and that TCTC shall have the right to determine the extent and manner in which such disclosure will be made. If TCTC does not have the information necessary for the disclosure TCTC determines it will make, Developer agree to provide such information to TCTC promptly upon its request.

5. FEES. In consideration of the rights granted in this Agreement, on execution Developer shall pay to TCTC a non-refundable development fee based on the number of TCTC Stores that Developer agrees to develop according to the following schedule: \$40,000 for the first store, \$25,000 for the second store, and \$15,000 for each additional store thereafter (the “Development Fee”). Developer agrees to pay a Development Fee of \$ \_\_\_\_\_ for the right to operate \_\_\_\_\_ TCTC Stores, as further set forth herein. This Development Fee is fully earned by TCTC upon execution of this Agreement and is not refundable in part or in whole, even if Developer chooses not to ultimately develop the number of TCTC Stores outlined in the Development Schedule. This Development Fee is in place of the initial franchise fee that would otherwise be due under each Franchise Agreement and no additional initial franchise fee will be due to TCTC upon execution of each Franchise Agreement entered into to meet the Development Schedule.

6. CONFIDENTIAL INFORMATION

A. Confidential Information. All information that TCTC furnishes to Developer, whether orally or in writing, including, without limitation, this Agreement, any Franchise Agreement, the system, methods, techniques, formulas, formats, specifications, standards, material, curriculum documents, lesson plans, training material, marketing materials, audiovisual components, emails, handouts, sources and suppliers of equipment, procedures, know-how, information, trade secrets, methods of business management, pricing tools, brand and product lists, appraisal methods, customer data, sales and promotion techniques, plans, specifications, knowledge of and experience in franchise operation, or any other forms of business information, whether or not marked as confidential, shall be considered confidential (collectively, the “Confidential Information”). Developer acknowledges and agrees that the Confidential Information is proprietary, includes TCTC’s trade secrets, and Developer (and its shareholders, partners, members and managers, if Developer is a business entity) agrees that Developer: (i) shall not use the Confidential Information in any other business or capacity other than to the extent

necessary to exercise the Development Rights or as permitted under the Franchise Agreements; (ii) shall not disclose, reveal or share the Confidential Information, except to its employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than its obligations hereunder, or to entities or individuals specifically authorized by TCTC in advance; and (iii) shall adopt and implement all procedures prescribed from time to time by TCTC to prevent unauthorized use or disclosure of the Confidential Information, including without limitation complying with all laws regulations and best practices related to the protection of customer and financial information. All Confidential Information is and will remain TCTC's sole property. Developer agrees to return to TCTC or destroy, at its election, all Confidential Information in its possession or control and permanently erase all electronic copies of such Confidential Information promptly upon TCTC's request or upon termination of this Agreement, whichever comes first, and, at its request, will provide written certification that Developer has complied with this obligation.

7. **TERMINATION.** The following provisions are in addition to and not in limitation of any other rights and remedies TCTC may have at law or in equity, all of which are expressly reserved. The exercise by TCTC of any right or remedy shall not be deemed an election of remedies.

A. **With Notice and No Opportunity to Cure.** This Agreement shall immediately terminate on delivery of notice of termination to Developer upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Developer (or any of its owners, if Developer is a business entity):

(1) becomes insolvent or admit in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Developer within 90 days;

(2) fails to comply with the Development Schedule and such failure continues for a period of 30 days after written notice from TCTC (except if the failure is the direct result of a "Casualty Event," which includes a fire, tornado, hurricane, flood, earthquake or similar natural disaster not within its control, and Developer is using good faith efforts to cure the failure);

(3) has made any material misrepresentation or omission in the application for the Franchise or in any report that it submits to TCTC pursuant to this Agreement;

(4) is convicted by a trial court of or plead no contest to a felony or other crime or offense or engage in conduct that reflects materially and unfavorably upon the operation and reputation of TCTC or the System, or if any of its principals is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(5) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of its rights or obligations under this Agreements a party to any other agreement with TCTC or its affiliates that is terminated for Developer's breach thereof;

(6) makes any unauthorized use of the Marks or intellectual property or make any duplication or disclosure of any Confidential Information;



(7) fails to comply with any provision of any Franchise Agreement and do not cure such failures within the applicable cure period, if any; or

(8) receives written notice from TCTC of its failure any three times in a calendar year to comply with this Agreement, even if timely cured in each instance.

B. With Notice and an Opportunity to Cure. This Agreement shall terminate upon Developer's failure to cure any of the following, each of which is deemed to be "good cause." If Developer (or any of its owners, if Developer is a business entity):

(1) fail to comply with any requirement in this Agreement not listed in Subsection 7.1 above prescribed by TCTC within 30 days after notice is delivered to Developer;

(2) fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within 15 days following notice; or

(3) fail to make payments to TCTC for any amounts due within 10 days after notice is delivered to Developer.

C. Cross Default. Any default by Developer under any other agreement between TCTC or its affiliates as one party and Developer or any of Developer's members or any of its or their affiliates as the other party that is material as to permit TCTC to terminate, or declare a default under, such other agreement shall be deemed to be a default of this Agreement, and TCTC shall have the right, at its option, to terminate this Agreement, effective immediately upon notice to Developer.

D. Limits. The description of any default in any TCTC notice to Developer shall not preclude TCTC from specifying additional or supplemental defaults in any action or proceeding under this Agreement.

## 8. OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Obligations. Upon termination or expiration of this Agreement for any reason:

(1) Developer's rights under this Agreement shall cease and Developer is no longer entitled to exercise the Development Rights;

(2) Developer shall immediately and for all time thereafter, cease to represent that Developer is a developer of TCTC Stores, except as allowed under any then-effective Franchise Agreements;

(3) At Developer's sole expense, Developer must return all Confidential Information in Developer's possession or control, except the Confidential Information that Developer are permitted to use under any then-effective Franchise Agreements;

(4) Developer shall pay immediately all sums due to TCTC and its affiliates under this Agreement (if any); and

(5) Developer shall comply with all provisions of this Agreement that survive its termination and expiration.

B. Survival of Obligations. The expiration or termination of this Agreement shall not relieve Developer of any of its obligations to TCTC existing at the time of such expiration or termination, or terminate Developer's obligations that, by their nature, survive the expiration or termination of this Agreement. The expiration or termination of this Agreement shall be without prejudice to TCTC's rights against Developer. TCTC has no obligation to inform Developer of its obligations or of the termination of any of Developer's rights under this Agreement.

9. NOTICES

Any notice or payment required to be given to either party is properly given and effective (a) on the date of delivery if delivered in person or (b) upon confirmation of receipt (or notice of refusal to accept receipt) if delivered by reputable overnight courier, such as FedEx, all fees postage paid, to the respective addresses given below, or to another address as is designated by written notice given to the other party. The notice addresses are as follows:

In the case of Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In the case of TCTC: The Closet Trading Company Franchising, LLC  
Attn: Johanna Zlenko  
714 State Street  
Santa Barbara, CA 93101

10. MISCELLANEOUS

A. Governing Law and Dispute Resolution. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without regard to its conflict of laws principles. In the event of a dispute between the Parties, both agree to first try to amicably resolve the dispute. Any dispute that cannot be resolved by the Parties through negotiation shall be governed by the dispute resolution provisions of the Franchise Agreement executed by the Parties contemporaneously with this Agreement.

B. Assignment. TCTC has the absolute right to transfer, assign, or sell, by agreement or by law, directly, indirectly, or contingently, this Agreement and any right and obligation under this Agreement. Developer may not transfer, assign, or sell, by agreement or by law, directly, indirectly, or contingently, this Agreement and any right and obligation under this Agreement without the prior written consent of TCTC. Any purported transfer, assignment or sale by Developer in violation of this Section is void and of no effect.

C. Modifications. This Agreement may not be modified except by a writing signed by authorized representatives of both Parties. It is agreed that no use of trade or other regular practice or method of dealing between the parties hereto shall be used to modify, interpret, supplement, or alter in any manner the terms of this Agreement.

D. Attorneys' Fees. In the event any action or claim is brought by either Party to enforce its rights under this Agreement (including any agreement to participate in binding arbitration), the prevailing Party in any such action shall be entitled to recover from the non-prevailing party all reasonable fees, costs, and expenses of counsel (at pre-trial, trial and appellate levels). If TCTC is required to seek injunctive relief against Developer, or if Developer does not comply with the obligations upon termination or expiration of the Agreement and TCTC is required to enjoin Developer's continued activities, Developer must reimburse TCTC its reasonable attorneys' fees and costs in obtaining such injunctive or related relief.

E. Independent Contractors. The parties are independent contractors, and no agency, partnership, joint venture, or employee-employer relationship is intended or created by this Agreement. Neither party shall make any warranties or representations on behalf of the other party.

F. Waiver. Any Party to this Agreement may extend the time for or waive the performance of any of the obligations of the other, waive any inaccuracies in the representations or warranties by the other, or waive compliance by the other with any of the covenants or conditions contained in this Agreement. Any such extension or waiver shall be in writing and signed by the Parties. No such waiver shall operate or be construed as a waiver of any subsequent act or omission of the Parties.

G. Severability. The invalidity or unenforceability of any one or more of the words, phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement or any part of any provision, all of which are inserted conditionally on their being valid in law, and in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid or unenforceable, this Agreement shall be construed as if such invalid or unenforceable word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted or shall be enforced as nearly as possible according to their original terms and intent to eliminate any invalidity or unenforceability.

H. Waiver of Jury Trial. **EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

I. Survival. All covenants, agreements, representations and warranties made in this Agreement or otherwise made in writing by any party pursuant to this Agreement shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement.

J. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

11. ENTIRE AGREEMENT. This agreement and its exhibits constitute the entire agreement of the parties and there are no other written or oral understandings between the parties related to the subject matter of the agreement, except that Developer acknowledges that TCTC has relied on Developer's representations made prior to execution of this agreement. Nothing in this Agreement or any related agreement is intended to disclaim the representations made by TCTC in its franchise disclosure document.

*[Signature page to follow]*

IN WITNESS WHEREOF, the parties have executed this Agreement, as of the Effective Date.

**The Closet Trading Company  
Franchising, LLC**

**[Developer]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

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

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

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

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

**EXHIBIT A**

**DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Development Area. The Development Area is defined as the following zip codes, as they exist as of the Effective Date, and as further set forth on the attached map:
  
2. Development Schedule. Developer must meet the following Development Schedule as outlined below (to be completed before the execution of this Agreement):

<b>Franchise Agreement Number</b>	<b>Franchise Agreement To Be Executed By (Date)</b>	<b>Store To Be Opened By (Date)</b>	<b>Minimum Cumulative Number of TCTC Stores to be Open and Operating by Developer in Development Area</b>
1	Signed concurrently with this Agreement		1
2			2
3			3
4			4
5			5

IN WITNESS WHEREOF, the parties have executed this Exhibit A on the Effective Date.

**The Closet Trading Company  
Franchising, LLC**

**[Developer]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

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

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

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

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

**EXHIBIT B**

**ENTITY INFORMATION AND OWNERSHIP ADDENDUM**

1. Entity Information. If Developer is an entity, TCTC requires the following information regarding Developer’s corporate form and ownership:

Entity form (corporation, LLC, partnership, etc.):

\_\_\_\_\_

Date of formation: \_\_\_\_\_

Incorporated or formed under the laws of the State of:

\_\_\_\_\_

2. Managing Developer. The name and contact information for the Managing Developer are as follows:

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

3. Entity Owners. Developer represents and warrants to TCTC that each shareholder owning directly or beneficially five percent (5%) or more of any class of securities of the entity; and general partner or co-venturer in the entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially five percent (5%) or more of the ownership interest in the entity; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, five percent (5%) or more of the interest in the trust or estate (“Entity Owners”) are listed below. If an Entity Owner is itself an entity, the term “Entity Owner” also includes Entity Owners in the entity. Entity Owners are as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Change. Developer agrees to immediately notify TCTC in writing of any change in the information contained in this Addendum and, at TCTC's request, prepare and sign a new Addendum containing the correct information.

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on the Effective Date.

**The Closet Trading Company  
Franchising, LLC**

**[Developer]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

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

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

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

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

# **EXHIBIT D**

## **BRAND STANDARDS MANUAL TABLE OF CONTENTS**



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**EXHIBIT E**  
**FRANCHISEE LIST**

The contact information for all The Closet Trading Co. franchisees open for business as of December 31, 2023 is as follows:

<u>FRANCHISEE</u>	<u>CONTACT</u>	<u>ADDRESS</u>	<u>STATE</u>	<u>PHONE NUMBER</u>
Open Door Trading Company	Daniel Lawrie	2708 Main Street Santa Monica, CA 90405	California	<u>661-607-6729</u>
Open Door Trading Company	Daniel Lawrie	6316 Topanga Canyon Blvd. #1170 Woodland Hills, CA 91367	California	<u>661-607-6729</u>
Mater Ventures, LLC	Gabriela Madrigal Bernal	8230 SW 62 <sup>nd</sup> Place Miami, FL 33143	Florida	954-260-3358

**EXHIBIT F**  
**FINANCIAL STATEMENTS**

**UNAUDITED FINANCIAL STATEMENTS AS OF MARCH 31, 2024**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

**The Closet Trading Company Franchising, LLC**  
**Balance Sheet**  
As of March 31, 2024

	Mar 31, 24
<b>ASSETS</b>	
Current Assets	
Checking/Savings	151,613.44
Accounts Receivable	8,695.01
Other Current Assets	-207,947.88
Total Current Assets	-47,639.43
Other Assets	71,625.45
<b>TOTAL ASSETS</b>	<b>23,986.02</b>
<b>LIABILITIES &amp; EQUITY</b>	
Equity	
3900ctf - Members Equity	-12,608.71
Net Income	36,594.73
Total Equity	23,986.02
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>23,986.02</b>

**The Closet Trading Company Franchising, LLC**  
**Profit & Loss**  
January through March 2024

---

	Jan - Mar 24
Ordinary Income/Expense	
Income	32,226.66
Cost of Goods Sold	54.00
Gross Profit	32,172.66
Expense	5,625.73
Net Ordinary Income	26,546.93
Other Income/Expense	
Other Income	646.01
Net Other Income	646.01
Net Income	<u>27,192.94</u>





#### AUDITOR'S CONSENT

Larson & Company P.C. hereby consents to the use in the Franchise Disclosure Document issued by The Closet Trading Company Franchising, LLC ("Franchisor") on June 28, 2024, as it may be amended, of our reports dated February 21, 2024 and March 20, 2023, relating to the financial statements of Franchisor for the periods ending December 31, 2023, December 31, 2022 and December 31, 2021.

*Larson & Company P.C.*

June 28, 2024

4874-8611-1948

Larson & Company  
11240 South River Heights Drive, Suite 300  
Salt Lake City, UT 84095  
Main: (801) 313-1900 | [www.larsco.com](http://www.larsco.com)

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**AUDITED FINANCIAL STATEMENTS**

# THE CLOSET TRADING COMPANY FRANCHISING, LLC

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

*For the Years Ended December 31, 2023 and 2022*



THE CLOSET TRADING COMPANY FRANCHISING, LLC

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## Independent Auditor's Report

The Board of Directors  
**The Closet Trading Company Franchising, LLC:**

### **Opinion**

We have audited the accompanying financial statements of **The Closet Trading Company Franchising, LLC**, which comprises the balance sheets as of December 31, 2023 and 2022 and the related statements of income, changes in members equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Closet Trading Company Franchising, LLC** 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **The Closet Trading Company Franchising, LLC** 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.

### **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 Closet Trading Company Franchising, LLC's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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.

Larson & Company  
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In performing an audit in accordance with generally accepted auditing standards, 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 Closet Trading Company Franchising, LLC'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 Closet Trading Company Franchising, LLC'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.

*Larsen & Company P.C.*

Salt Lake City, Utah  
February 21, 2024



**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

Balance Sheets  
As of December 31, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 171,772	\$ 111,100
Notes receivable	74,112	89,806
Account receivable	<u>51,608</u>	<u>17,787</u>
<b>Total assets</b>	<b><u>\$ 297,492</u></b>	<b><u>\$ 218,693</u></b>
 <b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
<b>Current liabilities:</b>		
Related party payable	<u>\$ 200,412</u>	<u>\$ 300,340</u>
<b>Total liabilities</b>	<b><u>200,412</u></b>	<b><u>300,340</u></b>
<b>Member's equity:</b>		
Member's contribution	153,900	153,900
Accumulated deficit	<u>(56,820)</u>	<u>(235,547)</u>
<b>Total member's equity</b>	<b><u>97,080</u></b>	<b><u>(81,647)</u></b>
<b>Total liabilities and member's equity</b>	<b><u>\$ 297,492</u></b>	<b><u>\$ 218,693</u></b>

The accompanying notes to the financial statements are an integral part of these statements.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Statements of Income  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Revenue</b>	<b>\$ 229,197</b>	<b>\$ 177,298</b>
<b>Cost of sales</b>	<b>4,520</b>	<b>1,800</b>
<b>Gross profit</b>	<b>224,677</b>	<b>175,498</b>
<b>Operating expenses:</b>		
General and administrative	4,034	59,793
Amortization	-	2,583
Legal and professional	-	27,096
Development cost	26,933	2,056
Marketing	14,983	13,813
<b>Total operating expenses</b>	<b>45,950</b>	<b>105,341</b>
<b>Net income</b>	<b>\$ 178,727</b>	<b>\$ 70,157</b>

The accompanying notes to the financial statements are an integral part of these statements.



**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

Statements of Changes in Member's Equity  
For the Years Ended December 31, 2023 and 2022

	<u>Member's Contribution</u>	<u>Accumulated Deficit</u>	<u>Total Member's Equity</u>
<b>Balance at January 1, 2022</b>	\$ 153,900	\$ (305,704)	\$ (151,804)
Net income	<u>-</u>	<u>70,157</u>	<u>70,157</u>
<b>Balance at December 31, 2022</b>	\$ 153,900	\$ (235,547)	\$ (81,647)
Net income	<u>-</u>	<u>178,727</u>	<u>178,727</u>
<b>Balance at December 31, 2023</b>	<u>\$ 153,900</u>	<u>\$ (56,820)</u>	<u>\$ 97,080</u>

The accompanying notes to the financial statements are an integral part of these statements.

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**  
Statement of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 178,727	\$ 70,157
<b>Adjustments to reconcile net income to net cash flows from operating activities:</b>		
Amortization expense	-	2,583
<b>Adjustments for:</b>		
Changes in account receivables	(33,821)	(16,844)
Changes in notes receivable	15,694	(89,806)
Changes in accounts payable	-	(10,321)
Changes in related party payables	(99,928)	96,992
<b>Net cash flows from operating activities</b>	<b>60,672</b>	<b>52,761</b>
<b>Net change in cash and cash equivalents</b>	<b>60,672</b>	<b>52,761</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>111,100</b>	<b>58,339</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 171,772</b>	<b>\$ 111,100</b>

The accompanying notes to the financial statements are an integral part of these statements.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

### 1. ORGANIZATION

The Closet Trading Company Franchising, LLC (the "Company") was organized as a limited liability company in the state of Wyoming on January 25, 2019, primarily to aid in the franchising of The Closet Trading Company (a related party) and to engage in any and all general business activities related to achieve such purpose.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual method of accounting. All income is recorded when earned and all expenses are recorded when incurred regardless of when such amounts are received or paid.

#### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

#### Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

#### Accounts and Notes Receivable

Accounts receivable represent royalties due from the Company's franchisees. Notes receivable relates to franchisee fees which are due from franchisees. Our allowance for credit losses reflects our estimate of the amount of our receivables that we will be unable to collect based on historical write-off experience and, as applicable, current conditions and reasonable and supportable forecasts that affect collectability. Trade receivables and notes receivable are the only material financial asset we have that is subject to the requirement to measure expected credit losses. Our estimate could require change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowance. Trade receivables that have contractual maturities of one year or less are written-off when they are determined to be uncollectible based on the criteria necessary to qualify as a deduction for federal tax purposes. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. As of December 31, 2023 and 2022 the Company has not established an allowance for accounts receivable or notes receivable based on no history of losses from such receivables.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Organization and Start-up Costs

The costs incurred in connection with the Company formation and start-up period have been expensed.

#### Revenue Recognition

The Company's primary sources of revenues are from franchise fees.

#### *Initial Franchise, Training, and Computer Equipment Fees*

The minimum initial franchise, training, and computer equipment fee is due upon the completion of initial training and commencement of operations and entitles the franchisee to one exclusive operating territory. In accordance with ASC 606, Revenue from Contracts with Customers, the Company has elected a practical expedient for non-public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license. Thus, the Company recognizes initial franchise fees when the Company has performed substantially all initial training and commencement services required by the franchise arrangement.

#### *Royalty Fees*

The Company receives ongoing revenue from royalty fees that are based on percentages of the franchisees' gross sales, which are due on a monthly basis. Ongoing royalties are recognized when reported to the Company by the franchisee, which is generally in the month following the franchisees' sales.

#### *Technology Fee*

The Company also receives fees for the use of the Company's website. Technology fees are recognized when the Company has provided the franchisees the usage of these services which is usually over time. The Company therefore, recognizes these revenue monthly at the rate they are billed and collected.

#### *Merchandise Sales*

The Company occasionally provides franchisees with initial merchandise for their thrift stores. Payments are received after such products are delivered. Revenue is earned when such services and products are provided, which is usually provided at point of sale.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

The following summarizes revenue that are generated over-time or at a point in time for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
<b>Revenue earned at a point in time</b>		
Initial franchise fees	\$ 40,000	\$ 102,500
Computer and training fees	22,500	-
Merchandise sales (payout)	33,970	16,016
<b>Revenue earned over time</b>		
Royalty fees	92,367	37,871
Service income	36,947	18,915
<b>Interest Income</b>		
Interest income	3,413	1,996
<b>Total revenue</b>	<u>\$ 229,197</u>	<u>\$ 177,298</u>

As of December 31, 2023 and 2022, there was no deferred revenue.

#### Concentrations of Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to the Company's cash will not be impacted by adverse economic conditions in the financial markets.

#### Advertising Costs

The Company expenses advertising costs as incurred. Total advertising expenses were \$14,983 and \$13,813 for the years ended December 31, 2023 and 2022, respectively.

#### Federal Income Taxes

The Company was organized as a limited liability company under provisions of the Internal Revenue Code. In accordance with the provisions of such election, the Company's taxable income and losses are passed through to its members. Accordingly, no provision for income taxes has been made in these financial statements.

The Company assesses its income tax positions for all years subject to examination based on evaluation of the facts, circumstances, and information available at the reporting date. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Federal Income Taxes (Continued)

As of December 31, 2023 and 2022, the Company did not have any uncertain tax positions. Generally, the Company's tax years remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes for three years from the date the returns are filed.

#### Recently Issued Accounting Pronouncements

In June of 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses*, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This requirement eliminates the probable initial recognition threshold in current GAAP which has delayed recognition of credit losses until the loss was probable. Instead, the new treatment will better reflect an entity's current estimate of all expected credit losses. In addition, the new guidance requires that any credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down. Initial allowance for credit losses is added to the purchase price rather than reported as a credit loss expense. Subsequent changes in the allowance for credit losses are recorded in credit loss expense. This will allow entities to also record reversals of credit losses in current period net income, whereas the current GAAP prohibits reflecting these improvements in current period earnings. The Company adopted this new guidance as of January 1, 2023. The adoption of this guidance did not have any material impact to the Company's financial statements as a whole.

### 3. RELATED PARTY TRANSACTIONS

The sole member of the Company as of the date of the financial statements is Luca B Styles, LLC, which also owns The Closet Trading Company LLC, corporate owned retail stores.

As of December 31, 2023 and 2022, the Company has net **\$200,412** and **\$300,340** related party payables to The Closet Trading Company LLC, respectively.

### 4. MEMBER'S EQUITY

The Company is wholly owned by Luca B Styles, LLC. Only one class of membership unit exists. There are no specific redemption restrictions for these class of membership units.

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**  
Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

**5. LEASES**

The Company had lease expense of \$0 and \$32,287 for the years ended December 31, 2023 and 2022, respectively. In November 2022 the lease was assumed by a franchisee. The Company did not hold any leases as of December 31, 2023 and 2022.

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date of the audit report, which is the date the financial statements were available to be issued.

On February 1, 2024, Luca B Styles reacquired The Closet Trading Company - Woodland Hills store. Consequently, that location is now a corporate-owned and operated store and no longer a franchise store.

No other events have occurred subsequent to December 31, 2023 that would require recording or disclosure in these financial statements.

# The Closet Trading Company Franchising, LLC

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
*For the Years Ended December 31, 2022 and 2021*





THE CLOSET TRADING COMPANY FRANCHISING, LLC

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## Independent Auditor's Report

The Board of Directors  
**The Closet Trading Company Franchising, LLC:**

### **Opinion**

We have audited the accompanying financial statements of **The Closet Trading Company Franchising, LLC**, which comprises the balance sheets as of December 31, 2022 and 2021 and the related statements of income, retained earnings, and cash flows for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Closet Trading Company Franchising, LLC** as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **The Closet Trading Company Franchising, LLC** 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.

### **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 Closet Trading Company Franchising, LLC's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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.

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In performing an audit in accordance with generally accepted auditing standards, 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 Closet Trading Company Franchising, LLC'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 Closet Trading Company Franchising, LLC'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.



Salt Lake City, Utah  
March 20, 2023

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**  
 Balance Sheets  
 As of December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 111,100	\$ 58,339
Notes receivable	89,806	-
Account receivable	17,787	943
<b>Other assets:</b>		
Intangible asset, net	-	2,583
<b>Total assets</b>	<b>\$ 218,693</b>	<b>\$ 61,865</b>
 <b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ -	\$ 10,321
Related party payable	300,340	203,348
<b>Total liabilities</b>	<b>300,340</b>	<b>213,669</b>
<b>Member's equity:</b>		
Member's contribution	153,900	153,900
Accumulated deficit	(235,547)	(305,704)
<b>Total member's equity</b>	<b>(81,647)</b>	<b>(151,804)</b>
<b>Total liabilities and member's equity</b>	<b>\$ 218,693</b>	<b>\$ 61,865</b>

The accompanying notes to the financial statements are an integral part of these statements.

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

Statements of Income  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenue</b>	<b>\$ 177,298</b>	\$ 19,966
<b>Cost of Sales</b>	<b>1,800</b>	5,620
<b>Gross profit</b>	<b>175,498</b>	14,346
<b>Operating expenses</b>		
General and admin	59,793	57,559
Amortization	2,583	5,167
Legal and professional	27,096	17,328
Development cost	2,056	44,563
Marketing	13,813	39,965
<b>Total operating expenses</b>	<b>105,341</b>	164,582
<b>Net income (loss)</b>	<b>\$ 70,157</b>	\$ (150,236)

The accompanying notes to the financial statements are an integral part of these statements.

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**  
 Statements of Changes in Member's Equity  
 For the Years Ended December 31, 2022 and 2021

	<u>Member's Contribution</u>	<u>Accumulated Deficit</u>	<u>Total Member's Equity</u>
<b>Balance at January 1, 2021</b>	\$ 153,900	\$ (155,468)	\$ (1,568)
Net income (loss)	-	(150,236)	(150,236)
<b>Balance at December 31, 2021</b>	\$ 153,900	\$ (305,704)	\$ (151,804)
Net income (loss)	-	<b>70,157</b>	<b>70,157</b>
<b>Balance at December 31, 2022</b>	<b>\$ 153,900</b>	<b>\$ (235,547)</b>	<b>\$ (81,647)</b>

The accompanying notes to the financial statements are an integral part of these statements.

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**  
Statement of Cash Flows  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 70,157	\$ (150,236)
<b>Adjustments to reconcile net income to net cash flows from operating activities:</b>		
Amortization expense	2,583	5,167
<b>Adjustments for:</b>		
Changes in account receivables	(16,844)	(943)
Changes in notes receivable	(89,806)	-
Changes in accounts payable	(10,321)	10,321
Changes in related party payables	96,992	77,324
<b>Total adjustments</b>	<b>(17,396)</b>	<b>91,869</b>
<b>Net cash flows from operating activities</b>	<b>52,761</b>	<b>(58,367)</b>
<b>Net change in cash and cash equivalents</b>	<b>52,761</b>	<b>(58,367)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>58,339</b>	116,706
<b>Cash and cash equivalents at end of year</b>	<b>\$ 111,100</b>	<b>\$ 58,339</b>

The accompanying notes to the financial statements are an integral part of these statements.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 1. ORGANIZATION

The Closet Trading Company Franchising, LLC (the "Company") was organized as a limited liability company in the state of Wyoming on January 25, 2019, primarily to aid in the franchising of The Closet Trading Company (a related party) and to engage in any and all general business activities related to achieve such purpose.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual method of accounting. All income is recorded when earned and all expenses are recorded when incurred regardless of when such amounts are received or paid.

#### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

#### Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

#### Organization and Start-up Costs

The costs incurred in connection with the Company formation and start-up period have been expensed.

#### Intangible Asset

Intangible asset is carried at cost, net of accumulated amortization. The Company's intangible asset consists of website development cost that is amortized on the straight-line basis over an estimated useful life of three years.



## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

The Company's primary sources of revenues are from franchise fees.

#### *Initial Franchise, Training, and Computer Equipment Fees*

The minimum initial franchise, training, and computer equipment fee is due upon the completion of initial training and commencement of operations and entitles the franchisee to one exclusive operating territory. In accordance with ASC 606, *Revenue from Contracts with Customers*, the Company has elected a practical expedient for non-public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license. Thus, the Company recognizes initial franchise fees when the Company has performed substantially all initial training and commencement services required by the franchise arrangement.

#### *Royalty Fees*

The Company receives ongoing revenue from royalty fees that are based on percentages of the franchisees' gross sales, which are due on a monthly basis. Ongoing royalties are recognized when reported to the Company by the franchisee, which is generally in the month following the franchisees' sales.

#### *Technology Fee*

The Company also receives fees for the use of the Company's website. Technology fees are recognized when the Company has provided the franchisees the usage of these services which is usually over time. The Company therefore, recognizes these revenue monthly at the rate they are billed and collected.

#### *Merchandise Sales*

The Company occasionally provide franchisees with initial merchandise for their thrift stores. Payments are received after such products are delivered. Revenue is earned when such services and products are provided which is usually provided at point of sale.

## THE CLOSET TRADING COMPANY FRANCHISING, LLC

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following summarizes revenue that are generated over-time or at a point in time for the year ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
<b>Revenue earned at a point in time</b>		
Initial franchise fees	\$ 102,500	\$ -
Merchandise sales (payout)	16,016	18,314
<b>Revenue earned over time</b>		
Royalty fees	37,871	1,180
Service income	18,915	472
<b>Interest Income</b>		
Interest Income	1,996	-
<b>Total revenue</b>	<u>\$ 177,298</u>	<u>\$ 19,966</u>

As of December 31, 2022 and 2021, there were no deferred revenue.

#### Concentrations of Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Company has not experience any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to the Company's cash will not be impacted by adverse economic conditions in the financial markets.

#### Federal Income Taxes

The Company was organized as a limited liability company under provisions of the Internal Revenue Code. In accordance with the provisions of such election, the Company's taxable income and losses are passed through to its members. Accordingly, no provision for income taxes has been made in these financial statements.

The Company assesses its income tax positions for all years subject to examination based on evaluation of the facts, circumstances, and information available at the reporting date. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized. As of December 31, 2022 and 2021, the Company did not have any uncertain tax positions. Generally, the Company's tax years remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes for three years from the date the returns are filed.

**THE CLOSET TRADING COMPANY FRANCHISING, LLC**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**3. INTANGIBLE ASSETS**

As of December 31, 2022 and 2021, Intangible assets consisted of the following, respectively:

	<u>2022</u>	<u>2021</u>
Webpage	\$ 15,500	\$ 15,500
Accumulated amortization	<u>(15,500)</u>	<u>(12,917)</u>
<b>Total intangible asset</b>	<b><u>\$ -</u></b>	<b><u>\$ 2,583</u></b>

Total amortization expense for the year ended December 31, 2022 and 2021 was **\$2,583** and **\$5,167**, respectively.

**4. RELATED PARTY TRANSACTIONS**

The sole member of the Company as of the date of the financial statements is Luca B Styles, LLC, which also owns The Closet Trading Company LLC, corporate owned retail stores.

As of December 31, 2022 and 2021, the Company has net **\$300,340** and **\$203,350** related party payables to The Closet Trading Company LLC, respectively.

**5. MEMBER'S EQUITY**

The Company is wholly owned by Luca B Styles, LLC. Only one class of membership unit exists. There are no specific redemption restrictions for these class of membership units.

**6. LEASES**

The Company had lease expense of **\$32,287** and **\$28,979** for the years ended December 31, 2022 and 2021, respectively. In November 2022 the lease was assumed by a franchisee. The Company does not hold any leases as of December 31, 2022.

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date of the audit report, which is the date the financial statements were available to be issued.

No events have occurred subsequent to December 31, 2022 that would require recording or disclosure in these financial statements.

**EXHIBIT G**  
**STATE SPECIFIC ADDENDA**

## CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

### THE CLOSET TRADING COMPANY FRANCHISING, LLC

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

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Section 23(A)(1)-(4) is removed from the franchise agreement.
2. No person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A 78a *et seq.*, suspending or expelling such person from membership in such association or exchange.
3. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligation and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.
4. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
5. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).
6. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California Law.
7. The Franchise Agreement requires dispute resolution by arbitration in the State of California, with the costs being borne by the non-prevailing party. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement.
8. The Franchise Agreement requires application of the laws of the State of California.

9. You must sign a general release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.
12. 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.
13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

**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.**

**CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT**  
**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain The Closet Trading Company Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between The Closet Trading Company Franchising, LLC, a Wyoming limited liability company (“**TCTC**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, TCTC and Franchisee hereby agree to the following:

1. Payment of the initial franchise fee is deferred until TCTC has met its pre-opening obligations and until Franchisee is open for business.
2. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.
3. 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 of fraud in the inducement, or (ii) disclaiming reliance on any statement made or information provided 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.
4. The following statement is removed from Section 6(A) of the Agreement:

Franchisee acknowledges that TCTC’s acceptance of any premises or the provision of any information to Franchisee regarding a potential location does not constitute any assurance that the Franchised Business will be profitable at such premises or more profitable at a particular premises in comparison to other premises.

5. Section 19(F) of the Agreement is hereby deleted in its entirety and replaced with the following:

**Consequential or Punitive Damages. IN NO EVENT WILL FRANCHISOR BE LIABLE TO FRANCHISEE FOR CONSEQUENTIAL OR PUNITIVE DAMAGES IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT; ANY BREACH, TERMINATION, CANCELLATION OR NON RENEWAL OF THIS AGREEMENT; OR IN ANY OTHER ACTION OR PROCEEDING WHATSOEVER BETWEEN THE**

PARTIES AND/OR ANY OF THEIR AFFILIATES. FRANCHISEE HEREBY WAIVES AND COVENANTS NEVER TO ADVANCE ANY SUCH CLAIM FOR CONSEQUENTIAL OR PUNITIVE DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION SHALL LIMIT FRANCHISEE'S RIGHTS UNDER CALIFORNIA CORPORATIONS CODE SECTION 31300.

6. Section 20(D) of the Agreement is hereby deleted in its entirety and replaced with the following:

Governing Law; Forum; Limitation Period. This Agreement will be governed by the laws of the State of California, without regard to its conflicts of law principles. Forum shall be exclusively in the United States District Court for the Central District of California, or, if such court does not have subject matter jurisdiction, the courts of the State of California sitting in Los Angeles County, and any appellate court from any thereof. In connection therewith, each Party hereby agrees to submit to the jurisdiction of such courts and to waive any possible defense of forum non conveniens and/or lack of personal jurisdiction before such court. Subject to California Code Sections 31303 and 31304, any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and TCTC, or Franchisee's operations, brought by either Party hereto against the other, must be commenced within one calendar year of the occurrence of the facts giving rise to such claim or the action shall be barred.

7. The following statement is removed from Section 21(H) of the Agreement:

Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation of the Franchised Business and not as a result of any representations about TCTC made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

8. Section 23 (A)(1)-(4) are hereby removed in their entirety.
9. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.
10. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging



in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

*[Signature page to follow]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**TCTC**

**FRANCHISEE**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

\_\_\_\_\_

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

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

\_\_\_\_\_

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

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

**CALIFORNIA ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain The Closet Trading Company Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between The Closet Trading Company Franchising, LLC, a Wyoming limited liability company (“**TCTC**”), and \_\_\_\_\_ (“**Developer**”). Notwithstanding any provisions in the Agreement, TCTC and Franchisee hereby agree to the following:

1. Payment of the initial franchise fee attributable to a specific unit is deferred until TCTC has met its pre-opening obligations and until that specific unit is open for business.
2. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.
3. 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.
4. Sections 10(I), 10(J) and 10(K) of the Agreement are hereby deleted in their entirety.
5. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.
6. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

*[Signature page follows]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**TCTC**

**DEVELOPER**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

## WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

### THE CLOSET TRADING COMPANY FRANCHISING, LLC

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. The state of Washington has a statute, the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), which 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.
2. In the event of a conflict of laws, the provisions of the Act shall prevail.
3. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection 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.
4. 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 may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.
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, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
7. 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.

8. 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.
9. Item 5 is amended to state that payment of the franchise fee is deferred until we have met our pre-opening obligations and you are open for business.
10. Our financial condition, as reflected in our financial statements (see Item 21), calls into question our ability to provide services and support to you.

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**  
**THE CLOSET TRADING COMPANY FRANCHISING, LLC**

This Addendum (“Addendum”) is effective as of \_\_\_\_\_, 20\_\_ to that certain The Closet Trading Co. Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“Agreement”) by and between The Closet Trading Company Franchising, LLC, a Wyoming limited liability company (“TCTC”), and \_\_\_\_\_ (“Franchisee”). Capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement. Notwithstanding any provisions in the Agreement, TCTC and Franchisee hereby agree to the following:

1. The Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), may supersede the Agreement in your relationship with TCTC, including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with TCTC including the areas of termination and renewal of the franchise.
2. In the event of a conflict of laws, the provisions of the Act shall prevail.
3. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection 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.
4. 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 may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect TCTC’s reasonable estimated or actual costs in effecting a transfer.
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, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
7. 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.

8. 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.
9. Payment of the initial franchise fee is deferred until TCTC has met its pre-opening obligations and until Franchisee is open for business.

IN WITNESS WHEREOF, the Parties enter into this Addendum as of the Effective Date.

**TCTC**

**FRANCHISEE**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

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

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

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

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

## WASHINGTON ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT

### THE CLOSET TRADING COMPANY FRANCHISING, LLC

This Addendum (“Addendum”) is effective as of \_\_\_\_\_, 20\_\_ to that certain The Closet Trading Co. Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“Agreement”) by and between The Closet Trading Company Franchising, LLC, a Wyoming limited liability company (“TCTC”), and \_\_\_\_\_ (“Developer”). Capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement. Notwithstanding any provisions in the Agreement, TCTC and Franchisee hereby agree to the following:

1. The Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), may supersede the Agreement in your relationship with TCTC, including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with TCTC including the areas of termination and renewal of the franchise.
2. In the event of a conflict of laws, the provisions of the Act shall prevail.
3. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection 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.
4. 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 may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect TCTC’s reasonable estimated or actual costs in effecting a transfer.
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, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
7. 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.

8. 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.
9. Because TCTC has material pre-opening obligations with respect to each franchise business Developer opens under this Agreement, payment of the initial franchise fee will be released proportionally with respect to each franchise opened and is deferred until TCTC has met its pre-opening obligations and until Franchisee is open for business with respect to each such location.

IN WITNESS WHEREOF, the Parties enter into this Addendum as of the Effective Date.

**TCTC**

**DEVELOPER**

THE CLOSET TRADING COMPANY  
FRANCHISING, LLC

\_\_\_\_\_

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

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

\_\_\_\_\_

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

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

**EXHIBIT H**  
**STATE EFFECTIVE DATES**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT I**  
**RECEIPT**

# RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Closet Trading Company Franchising, LLC (“TCTC”) offers you a franchise, TCTC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, TCTC or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, TCTC must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TCTC 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

The franchisor is The Closet Trading Company Franchising, LLC located at 714 State Street, Santa Barbara, California 93101. Its telephone number is (844) 793-8083.

TCTC’s franchise sellers involved in this offering and selling the franchise to you are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement.

<u>Johanna Zlenko</u>	<u>714 State Street Santa Barbara, CA 93101</u>	<u>(844) 793-8083</u>
<u>Taylor Lambert</u>	<u>714 State Street Santa Barbara, CA 93101</u>	<u>(844) 793-8083</u>

TCTC authorizes the respective state agencies identified on Exhibit A to receive service of process for TCTC in the particular state.

I have received a Disclosure Document with an issuance date of June 28, 2024 that included the following Exhibits:

- |   |                           |
|---|---------------------------|
| A. State Administrators and Agents for Service of Process | E. Franchisee List        |
| B. Franchise Agreement (and Exhibits)                     | F. Financial Statements   |
| C. Area Development Agreement (and Exhibits)              | G. State Specific Addenda |
| D. Brand Standards Manual – Table of Contents             | H. State Effective Dates  |
|   | I. Receipt                |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee)

You should return one copy of the signed receipt either by signing, dating, and mailing it to TCTC at 714 State Street, Santa Barbara, California 93101, or by emailing a copy of the signed receipt to [franchise@theclosettradingco.com](mailto:franchise@theclosettradingco.com). You may keep the second copy for your records.

# RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Closet Trading Company Franchising, LLC (“TCTC”) offers you a franchise, TCTC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, TCTC or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, TCTC must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TCTC 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

The franchisor is The Closet Trading Company Franchising, LLC located at 714 State Street, Santa Barbara, California 93101. Its telephone number is (844) 793-8083.

TCTC’s franchise sellers involved in this offering and selling the franchise to you are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement.

<u>Johanna Zlenko</u>	<u>714 State Street Santa Barbara, CA 93101</u>	<u>(844) 793-8083</u>
<u>Taylor Lambert</u>	<u>714 State Street Santa Barbara, CA 93101</u>	<u>(844) 793-8083</u>

TCTC authorizes the respective state agencies identified on Exhibit A to receive service of process for TCTC in the particular state.

I have received a Disclosure Document with an issuance date of June 28, 2024 that included the following Exhibits:

- |   |                           |
|---|---------------------------|
| A. State Administrators and Agents for Service of Process | E. Franchisee List        |
| B. Franchise Agreement (and Exhibits)                     | F. Financial Statements   |
| C. Area Development Agreement (and Exhibits)              | G. State Specific Addenda |
| D. Brand Standards Manual – Table of Contents             | H. State Effective Dates  |
|   | I. Receipt                |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee)

You should return one copy of the signed receipt either by signing, dating, and mailing it to TCTC at 714 State Street, Santa Barbara, California 93101, or by emailing a copy of the signed receipt to [franchise@theclosettradingco.com](mailto:franchise@theclosettradingco.com). You may keep the second copy for your records.