

## FRANCHISE DISCLOSURE DOCUMENT

Socks & Bottoms Franchising, LLC  
a Nevada limited liability company  
385 Concord Avenue  
Suite 201  
Belmont, Massachusetts 02478  
617.697.3534  
socksandbottomsfranchise.com



The franchise is for the establishment and operation of retail stores that specialize in the sale of socks, underwear, bras, and related apparel and accessories (“Socks & Bottoms Store” or “Store”).

The total investment necessary to begin operation of a Socks & Bottoms Store ranges from \$192,800 to \$270,500, including \$46,000 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 Todd Giatrelis at 385 Concord Avenue, Suite 201, Belmont, Massachusetts 02478, 617-697-3534, and [Todd@socksandbottomsfranchise.com](mailto:Todd@socksandbottomsfranchise.com).

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

Date of Issuance: March 31, 2023

## **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.

## 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 Exhibits C and D.
<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 A 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 Socks &amp; Bottoms 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 Socks &amp; Bottoms franchisee?</b>	Item 20 or Exhibits C and D 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.

## 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 Massachusetts. 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 Massachusetts than in your own state.

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.

**SOCKS & BOTTOMS FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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- EXHIBIT A - FINANCIAL STATEMENTS
- EXHIBIT B - FRANCHISE AGREEMENT
- EXHIBIT C - LIST OF FRANCHISED STORES
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- EXHIBIT E - MANUAL TABLE OF CONTENTS
- EXHIBIT F - FORM OF GENERAL RELEASE
- EXHIBIT G - END USER LICENSE AGREEMENT
- EXHIBIT H - MAINTENANCE AND SUPPORT AGREEMENT

## ATTACHMENTS

- ATTACHMENT A - LIST OF STATE ADMINISTRATORS
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- ATTACHMENT C - STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

## **ITEM 1**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

#### **The Franchisor, Its Parent, Predecessors, and Affiliates**

The Franchisor is Socks & Bottoms Franchising, LLC, referred to in this disclosure document as “we,” “us” or “our.” We refer to the person interested in buying a franchise as “you” or “your.” If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were organized as a Nevada limited liability company on December 7, 2021. Our principal business address is 385 Concord Avenue, Suite 203, Belmont, MA 02478.

We do business under our corporate name and under the name “Socks & Bottoms.” Our agents for service of process in the states which require franchise registration are listed in Attachment B.

We sell franchises for retail stores that specialize in the sale of socks, underwear, bras, and related apparel and accessories (the “Socks & Bottoms Stores” or “Stores”). Socks & Bottoms Stores do business under the name “Socks & Bottoms” and other trademarks identified in Item 13 (the “Marks”). We do not operate any Socks & Bottoms Stores.

We began to offer franchises on September 23, 2022. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Our affiliate, N&P LV Holdings, LLC (“N&P”), currently operates eight Socks & Bottoms stores in Nevada, California, and Minnesota. N&P is a Nevada Limited Liability Company formed on December 31, 2018. N&P is affiliated with us by a consulting contractual relationship and by being a member of Socks & Bottoms Franchising, LLC. N&P LV Holdings, LLC’s principal place of business is 3545 South Las Vegas Boulevard, Suite #L15B, Las Vegas, Nevada 89109.

Except as described above, we have no predecessors or affiliates that have offered franchises for this business or any other lines of business.

#### **The Franchise**

We offer qualified applicants franchises for Socks & Bottoms Stores that operate under the Socks & Bottoms System (the “System”). The System includes distinctive exterior and interior design, decor, and color scheme; furnishings; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory management and financial control; training and assistance; record keeping and reporting; and advertising and promotional programs, all of which may be changed, improved, and further developed by us periodically. You must operate your Socks & Bottoms Store under the Marks and use other trade names, service marks, trademarks, logos, and other symbols we designate (or may later designate) in writing for use in the System.

The Franchise Agreement (Exhibit B to this disclosure document) gives you the right to establish and operate 1 Store at a specified location. The location of the Store will be in the non-exclusive Designated Area described in the Franchise Agreement. The size of the Designated Area will vary depending on local market conditions and other factors. The Designated Area will be determined before you sign the Franchise Agreement. (See Item 12)

We may require your current and future Principals (as defined in the Franchise Agreement) to sign a Guaranty and Assumption Agreement (“Guaranty”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against



competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. Those of your Principals who are not required to sign the Guaranty will each sign a Confidentiality Agreement and Ancillary Covenants Not to Compete, with Principal's undertakings, in the form attached to the Franchise Agreement. (See Item 15)

You must designate an "Operating Principal" under the Franchise Agreement. Your Operating Principal is the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, you must designate someone who meets our requirements and whom we approve to be your Operating Principal. Your Operating Principal must have and maintain at least 10% ownership interest in you. Your Operating Principal will sign the Guaranty.

The person or entity signing the Franchise Agreement is the "Franchisee." In this disclosure document, the terms "Principals" and "Operating Principal" and "you" and "your" include the Franchisee under the Franchise Agreement unless we have noted otherwise.

### **Competition**

The market for intimate apparel, including socks, underwear, bras, and related apparel and accessories, is well-established and highly competitive. There is active price competition among general and specialty stores that sell socks, underwear, bras and similar apparel, as well as competition for management personnel and for premier commercial real estate sites suitable for retail stores. You must expect to compete with other stores offering socks, underwear, bras, and related apparel and accessories, including department stores, and other intimate apparel stores. Competitors may be locally-owned or large regional or national chains. The retail intimate apparel business is also affected by changes in consumer taste, demographics, traffic patterns and economic conditions.

### **Industry Specific Regulation**

The sale of retail merchandise to consumers is subject to legal requirements and you should obtain assistance in evaluating and complying with applicable federal, state and local laws, rules and regulations. Many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to retail clothing stores. However, some jurisdictions may have other laws, rules and regulations that have particular applicability to retail intimate apparel stores. You should consider these laws and regulations when evaluating your purchase of a franchise.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Todd Giatrelis: Chief Executive Officer and Director**

Mr. Giatrelis has served as our Chief Executive Officer and has been a member of our Board of Directors since our formation in December 2021. Mr. Giatrelis is also Chief Executive Officer and a member of the Board of Directors of MVS Ventures, LLC and has held that position since September 2017. Mr. Giatrelis co-founded Flip Flop Shops Franchise Company, LLC and FFS Holdings, LLC, both based in Citrus Heights, California, and was previously a member of the board of directors of both companies from August 2007 until October 2015. Flip Flop Shop Franchise Company, LLC and FFS Holdings, LLC were acquired by an independent third-party global corporation in 2015. Mr. Giatrelis is based in Boston, Massachusetts.

#### **Sarah Towne: President and Director**

Ms. Towne has served as our President and has been a member of our Board of Directors since our formation in December 2021. Ms. Towne is also President and a member of the Board of Directors of MVS Ventures, LLC and has held that position since September of 2017. Ms. Towne also co-founded Flip Flop Shops Franchise Company, LLC and FFS Holdings, LLC, both based in Citrus Heights, California, and was previously a member of the board of directors of both companies from August 2007 until October 2015. Flip Flop Shop Franchise Company, LLC and FFS Holdings, LLC were acquired by an independent third-party global corporation in 2015. She also served as Vice President of Training for Flip Flop Shops Franchise Company, LLC during the same time period. Ms. Towne is based in Boston, Massachusetts.

**Noemi Pinal: Director**

Ms. Pinal has served as a member of our Board of Directors since our formation in December 2021. Ms. Pinal is also the Founder and President of N&P LV Holdings, LLC and has held that position since it began in June 2018. Ms. Pinal has extensive experience in retail sales and management for multiple local and national chains and has overseen the design, guest experience, and vendor selection for the Socks & Bottoms stores since inception. Ms. Pinal is based in Las Vegas, Nevada.

**Alan Woods: Chief Operating Officer**

Mr. Woods has served as our Chief Operating Officer since August 2022. Mr. Woods also serves as the Proprietor of Woods Initiatives since 2019. Mr. Woods also co-founded Flip Flop Shops Franchise Company, LLC and FFS Holdings, LLC, both based in Citrus Heights, California, and was previously a member of the board of directors of both companies from August 2007 until October 2015. Flip Flop Shop Franchise Company, LLC and FFS Holdings, LLC were acquired by an independent third-party global corporation in 2015. He also served as Chief Operating Officer for Flip Flop Shops Franchise Company, LLC during the same time period. Mr. Woods is based in Satellite Beach, Florida.

**Maria Giatrelis: Chief Marketing & Sales Officer**

Ms. Giatrelis has served as our Chief Marketing & Sales Officer since September 2022. Ms. Giatrelis also serves as a Partner of GlutenFreedomForAll, LLC since February 2021. From April 1994 to September 2000, Ms. Giatrelis was the President of Phar Lap Software, Inc. in Cambridge, Massachusetts where she was responsible for day to day operations of the company and oversaw the teams of Engineering, Tech Support, Sales, Marketing, M.I.S. and Manufacturing/Shipping. Ms. Giatrelis is based in Boston, Massachusetts.

**Michael Pinal: Operations Manager**

Mr. Pinal has served as our Operations Manager since our formation in December 2021. Mr. Pinal is also Operations Manager of N&P LV Holdings, LLC and has held that position since 2018. In his capacity at N&P LV Holdings, LLC, Mr. Pinal has experience managing high-volume retail sales and oversees all operations for their eight stores that generate a combined \$5,000,000+ in annual revenue. Mr. Pinal also has experience overseeing construction, design and vendor negotiations. Mr. Pinal is based in Las Vegas, Nevada.

**Luke Elson: Sales Manager**

Mr. Elson has served as our Sales Manager since November 2022. From May 202 to November 2022, Mr. Elson was p an implementation specialist for Meditech in Boston, Massachusetts. From April 2021

to May 2022, Mr. Elson was a manager at Belmont Country Club in Belmont, Massachusetts. Mr. Elson is based in Boston, Massachusetts.

### **ITEM 3**

#### **LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4**

#### **BANKRUPTCY**

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

### **ITEM 5**

#### **INITIAL FEES**

##### **Initial Franchise Fee**

When you sign the Franchise Agreement, you must pay us an initial franchise fee of \$46,000 (\$41,000 if the Franchise Agreement is the third, fourth, or fifth Socks & Bottoms Franchise Agreement to be signed at the same time as at least two (2) additional Socks & Bottoms Franchise Agreements, and \$36,000 if the Franchise Agreement is the sixth, seventh, eighth, ninth, or tenth Socks & Bottoms Franchise Agreement to be signed at the same time as at least five (5) additional Socks & Bottoms Franchise Agreements). The initial franchise fee is not refundable and is imposed uniformly on all franchisees.

##### **On-Site Evaluations**

If we provide more than 1 (one) on-site evaluation for your first Store or any on-site evaluations for your second and subsequent Stores, we may require you to reimburse us for our costs and expenses and charge a reasonable fee for those on-site evaluations. The current fee for on-site evaluations is \$1,000 per evaluation.

**ITEM 6**

**OTHER FEES**

<b>Type of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6.5% of Gross Sales	Wednesday of each week for the preceding week	See Note 2 for the definition of Gross Sales. We require you to pay the royalty fee by electronic funds transfer. If you are in default of our operational standards, we may, as an alternative remedy to termination, increase the royalty fee to 12% of Gross Sales and charge you an additional \$250 per week until you rectify the deficiencies.
Brand Building Fund contribution	Up to 2% of Gross Sales	Same as royalty fee	See Note 2 for the definition of Gross Sales. Currently, 0.5% of your Gross Sales must be contributed to the Brand Building Fund. We require you to pay contributions to the Brand Building Fund by electronic funds transfer. We recommend that you spend at least 2% of Gross Sales on local marketing, but we do not require you to do so.
Software License Fee	Currently, \$190 per month	As invoiced	For your use of the Vend POS software, you must pay this monthly software license fee.
Mood Media Music Service	Current price, subject to adjustment by supplier – approximately \$40 per month	As arranged	You must subscribe to the Mood Media music service and play the music at your Store. This monthly fee includes the equipment lease fee and the music programming fee.
Air Scenting System	Current price, subject to adjustment by supplier – approximately \$67 per month	As arranged	You must subscribe to the “air aroma” air scenting system supplied by Scent Air, Inc.

<b>Type of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Merchandise for Resale	Reasonable cost	On demand	We may provide to you at a reasonable cost certain collateral merchandise for resale that identifies the system (for example, caps and t-shirts). If we make such merchandise available, we may require you to purchase quantities sufficient to meet customer demand. (See Item 8).
Interest	18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Late Fee	\$100 for each late payment	On demand	We may charge you a late fee for each late payment in addition to any interest that accrues.
Additional On-Site Evaluations	\$1,000.00, plus costs and expenses associated with the additional on-site evaluations	When billed	If we (or our representative) provide more than 1 on-site evaluations of any Store site or this is not your first Store, we may require you to pay us this and reimburse us for our reasonable costs and expenses for conducting those on-site evaluations.
Intranet	Reasonable fee	When billed	If we develop an intranet network, we may charge you a reasonable fee for using the intranet network.
Conferences	Reasonable fee (currently, \$500), plus your costs and expenses to attend	When billed	We may require you to attend our annual franchisee conference and pay a reasonable fee. You must also pay for the costs and expenses (including travel and lodging costs) for your representatives to attend our franchisee conferences.
Additional Training	At our option, a per diem rate currently ranging from \$250 to \$500, based on our costs of providing the training	Before additional training	You must also pay the expenses of your personnel attending training. Training will also be required for a replacement or successor Operating Principal or Lead Manager.

<b>Type of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
On-site Remedial Training	The then-current per diem fee for remedial training, plus costs. Our current per diem rate is \$250	When billed	If you ask or if we believe it is appropriate, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Store.
Transfer Fee	50% of our then-current initial franchise fee	With transfer application	There is no fee if an individual or partnership transfers rights to a corporation controlled by the same interest holders, however you must reimburse us for all costs (including attorneys' fees) associated reviewing and processing the transfer documents.
Renewal Fee	50% of our then-current initial franchise fee	Signing of renewal franchise agreement	You must give us at least 6 months' and not more than 9 months' notice to renew and meet other renewal conditions.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us from, among other things, breaching the Franchise Agreement (See Section 15 of the Franchise Agreement)
Audit Fee	Cost of audit	When billed	Payable if an audit shows you have understated any amount owed to us by 3% or more.
Insurance Fee	\$100 plus our expenses	On demand	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee of \$100, plus our expenses.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Force Majeure	Will vary	When billed	If we permit you to relocate or reconstruct the Store after a Force Majeure event, we may charge you a fee which is payable during relocation or reconstruction of the Store. In addition to payments required under <u>Section 17.C.v. of the Franchise Agreement</u> , Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of the Franchise Agreement prior to the occurrence of such event.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.

**Notes:**

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) Gross Sales is the total selling price of all services and products and all income of every other kind and nature related to your Socks & Bottoms Store, including, the amount of all sales transactions, delivery receipts, service income and any other receipts that we designate periodically, whether for cash or credit and regardless of collection in the case of credit, and whether received from in-Store sales or sales outside of the Store premises. Gross Sales excludes (i) promotional allowances or rebates paid to you in connection with your purchase of products or supplies and (ii) sales, use, merchants' or other taxes measured on the basis of the Gross Sales of your Store imposed by governmental authorities directly on sales or use and collected from customers, provided that the taxes are added to the selling price of your goods and services and are in fact paid by you to the appropriate governmental authorities. Cash refunded and credits given to customers shall be deducted in computing Gross Sales if the amounts of such cash, credit or receivables represent sums previously included in Gross Sales on which royalties or Brand Building Fund contributions were paid. We may periodically authorize certain other items to be excluded from Gross Sales, but we may revoke this authorization at any time. Proceeds from the sale of coupons, gift cards, gift certificates or vouchers will not be included in Gross Sales when the coupons, gift cards, gift certificates or vouchers are sold. Instead, the retail price of products purchased with coupons, gift cards, gift certificates or vouchers will be included in Gross Sales during the week in which the coupon, gift card, gift certificate or voucher is redeemed.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low - High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	\$46,000	Lump Sum	On signing of Franchise Agreement	Us
Rent for First 3 Months (2)	\$15,000 to \$30,000	As Arranged	As Arranged	Landlord
Security Deposit (2)	\$0 to \$10,000	As Arranged	As Arranged	Landlord
Leasehold Improvements (2)	\$20,000 to \$40,000	As Arranged	As Arranged	Landlord or Contractor
Signage (3)	\$5,000 to \$8,500	As Arranged	As Arranged	Landlord or Contractor
Furniture, Fixtures, and Equipment (4)	\$40,000 to \$45,000	As Arranged	As Invoiced	Suppliers
Initial Training Expenses (4)	\$3,000 to \$5,000, plus employee wages (if any).	As Arranged	As Invoiced	Employees and Suppliers
Point of Sale and Computer Hardware and Software (5)	\$2,000 to \$2,500	As Arranged	As Arranged	Suppliers
Initial Inventory/Supplies (6)	\$50,000 to \$60,000	As Arranged	Before Opening	Vendors
Professional Services (7)	\$5,000 to \$9,000	As Arranged	As Arranged	Accountants, Lawyers, Real Estate Brokers etc.
Promotional Expenses (8)	\$2,000 to \$3,000	As Arranged	As Arranged	Suppliers
Insurance (9)	\$800 to \$1,500	As Arranged	As Arranged	Insurance Broker
Additional Funds – For Initial 3-Month Period (10)	\$4,000 to \$10,000			
<b>TOTAL (11)</b>	\$192,800 to \$270,500			

#### Notes:

(1) If you are signing more than two (2) Franchise Agreements at the same time, the initial franchise fee for the third, fourth, and fifth Socks & Bottoms Franchise Agreements will be \$41,000. If you are signing more than five (5) Franchise Agreements at the same time, the initial franchise fee for the sixth, seventh, eighth, ninth, and tenth Socks & Bottoms Franchise Agreements will be \$36,000.

(2) Socks & Bottoms Stores are typically located in commercially zoned shopping centers. Due to the cost of land acquisition and new construction, the premises for Socks & Bottoms Stores are normally leased. These amounts assume that you will lease the premises for the Store and do not include costs of land



acquisition and construction of a building. The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans (including professional fees for the design professional that we designate (see Item 8)) to a facility containing approximately 800 to 1,300 square feet. The leasehold improvement ranges will be affected by various factors like the location of the Store and local market conditions. The estimates assume that the landlord will provide connections to adequate electrical, gas, water and sewage service. Your actual costs may or may not include site preparation and finish-out costs, depending on the arrangements you negotiate with your landlord. If your landlord contributes to the cost of finish-out, total leasehold improvement costs could be reduced. These costs are our best estimate based on commercial leasing and remodeling/finish-out rates N&P LV Holdings, LLC has experienced with their Socks & Bottoms Stores. These estimates may vary substantially based on your ability to negotiate with your landlord and your financial strength, as well as on local commercial leasing and labor rates and other local conditions.

(3) These amounts include the cost of the furniture, fixtures, equipment, décor items, and exterior signage required for your Socks & Bottoms Store, including the interior décor system/modules which you must purchase and have installed in your Socks & Bottoms Store. (See Item 8)

(4) We provide initial training to your initial Operating Principal and Lead Manager (if applicable) at no additional charge. You must pay all expenses you or your employees incur in the initial training program, like travel, lodging, meals and wages. Your costs will vary depending upon the number of employees trained and your selection of salary levels, lodging and dining facilities, and the mode and distance of transportation. Your cost for wages will vary substantially depending on whether your Operating Principal receives wages and whether your Operating Principal serves as a Lead Manager or you hire separate individuals to fill those positions. (See Item 11)

(5) This amount includes the cost of point of sale and computer hardware and software that you must use in the operation of your Socks & Bottoms Store. (See Item 11)

(6) We estimate that this range will cover the cost of your initial inventory of socks, underwear, bras and other inventory. Your costs will vary depending on various factors, including the size of your Store, the time of the year in which your Store opens, your initial sales projections, and the population density in the area of your Store.

(7) This estimate is for the cost to establish an entity to hold the franchise and review the franchise documentation and for professional services related to acquiring and reviewing a lease for the Store premises. Some real estate brokers may require you to pay a fee for assistance in locating a site for the Store in lieu of, or in addition to, the standard commission the real estate brokers receive. The high end of the estimate also includes the estimated fee to engage a real estate broker to assist you in locating a site for the Store. The cost of professional services can vary widely.

(8) You must carry out a grand opening promotion for the Store in compliance with our written specifications. We must approve all advertising items, methods and media.

(9) This amount represents an estimate of the down payment on your annual insurance premiums. You must obtain the insurance coverage described in the Franchise Agreement. We must be named as an additional insured on these policies. Your cost of insurance may vary depending on the insurer, the location of your Store, your claims history, and other factors.

(10) You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses. These estimates are for the initial 3-month start-up phase from the date you open for business. These amounts do not include any estimates for owner salaries or debt service. You must also pay the royalty and other related fees described in Item 6 of this disclosure document. These figures are estimates, and we cannot assure you that you will not have additional

expenses. Your actual costs will depend on factors like your management skills, experience and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied on the experience of N&P LV Holdings, LLC's Socks & Bottoms Stores to compile these estimates. You should review these figures carefully with your business advisor.

(11) We do not offer any financing for your initial franchise fee or any portion of your initial investment.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments we control. Unless otherwise stated, the amounts described above are not refundable.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Required Purchases**

You generally have no obligation to purchase or lease from us, our affiliates, or other designated third party suppliers any of the products, services, supplies, fixtures, equipment (including computer hardware and software and electronic cash register systems), inventory or real estate used in establishing or operating the Store. However, there are some exceptions, as follows:

#### **Site Selection Assistance**

You must engage, at your expense, a real estate broker approved by us to assist you with selecting and acquiring a site for the Store that satisfies our site selection requirements. (See Item 7)

#### **System Merchandise**

We have the right to make available to you for resale in the Store merchandise identifying the System. This may include Socks & Bottoms memorabilia, like caps and T-shirts. If we make this type of merchandise available, we may require you to purchase it from a supplier we designate in amounts necessary to meet your customer demand.

#### **Point of Sale System and Credit Card Processing**

You must purchase the Vend point of sale system software and related hardware and services and credit card processing services from a source we designate. Our current designated supplier for the Vend point of sale system and credit card processing is Vend/Lightspeed. (See Item 11)

#### **Interior Décor System**

You must purchase from our designated supplier an interior décor system/modules (which includes wall and freestanding displays, checkout counter, artwork and other interior décor components we require) meeting our requirements that is customized for your Socks & Bottoms Store, and you must engage our designated supplier to install such interior décor system/modules. Our current designated supplier is SLS Production, LLC.

## **Music Service**

You must install and use in your Store a commercial-free music service that meets our requirements and obtain the service from our designated supplier. Our current designated supplier is Mood Media, LLC.

## **Air Scenting System**

You must install and use in your Store an air scenting system that meets our requirements, and you must obtain service for the air scenting system from our designated supplier, which is currently Scent Air, Inc.

## **Inventory**

We will provide you with an Approved Inventory List containing the inventory items (including the brand and style of each item) approved by us for sale and which you must stock in your Socks & Bottoms Store. We will update the Approved Inventory List periodically and provide you with the updated list. We will, in our discretion, determine the brands and styles of socks, bras, underwear, and accessories included on the Approved Inventory List. We may also require you to maintain certain percentages of particular brand(s) and/or style(s) as part of the inventory that is displayed in the Store. We will provide you with written advice and recommendations with respect to inventory orders, but, subject to the foregoing, you must decide the quantity, colors and sizes of the items ordered for your Store.

You must order items from the Approved Inventory List from the suppliers we approve on terms agreed upon by the supplier and you. You place the purchase order directly to the supplier in accordance with the Manual or other written directives. You must place “pre-book” orders for the inventory items on the Approved Inventory List on or before the deadlines set by each manufacturer or distributor for pre-book orders. You must promptly pay the manufacturer’s or supplier’s invoices in accordance with their terms. Suppliers may require you to pre-pay for your inventory. We do not guarantee the availability of any of the items on the Approved Inventory List or that your Store will be able to carry any particular brand of socks, bras, underwear, or related apparel or accessories.

You may stock additional styles of socks, bras, and underwear which are not included on the Approved Inventory List if those additional styles are of one of the brands listed on the then-current Approved Inventory List. If you want to offer other brands or inventory items that are not on the Approved Inventory List, you must submit to us a written request for approval in writing. We will approve or disapprove your request within 20 days from the date we receive your request. We may approve or disapprove your request in our discretion. We do not disclose our criteria for approving requests to our franchisees. Generally speaking, however, we will evaluate a request for approval and make our decision based on whether the proposed item meets our standards and specifications and other criteria including quality, style, image and price. We do not charge you a fee for making our decision.

## **Approved Suppliers**

In addition to the above, if we have approved suppliers (including manufacturers, distributors and other sources) for any inventory, fixtures, furnishings, equipment, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications for inventory, fixtures, furnishings, equipment and other items used or offered for sale at the Stores and who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may change the number of approved suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive source for any particular item. We may profit from your purchases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of your purchases.

Neither we nor our affiliates are currently approved suppliers of inventory items for our franchisees, but we may, in our sole discretion, require supplies and items to be purchased exclusively from us or our affiliates or from approved suppliers or distributors. We may derive revenue based on your purchases and leases (including from charging you for products and services that we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve).

If you wish to purchase, lease or use any products, services, inventory or other items from an unapproved supplier, you or your supplier must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. We are not required to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

None of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, of the Socks & Bottoms franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

### **Purchases According to Specifications**

You must comply with all of our standards and specifications relating to the purchase of all inventory, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Store. We formulate our standards and specifications based on a variety of factors, including N&P LV Holdings, LLC's experience in operating Stores. In addition, the following must comply with our specifications:

#### **Site Selection and Construction**

You must locate a site for the Store that satisfies our site selection requirements. You must hire, at your expense, an architect or engineer to adapt our prototypical architectural and design plans as needed for the construction or remodeling of your Store and provide them to us before you provide them to the landlord and any applicable government authorities. You must obtain our consent to your initial plans and any deviation from the approved plans will require our further consent.

#### **Advertising and Promotional Materials**

All of your advertising and promotions must conform to our standards and requirements. We must approve all advertising and promotional plans and materials before you use them if we have not prepared them or previously approved them during the 12 months preceding the date of their proposed use. You must submit any unapproved plans and materials to us, and we will approve or disapprove them within 20 days after we receive them. You must not use the plans or materials until we have approved them, and must promptly discontinue using any advertising or promotional plans or materials, whether or not we have previously approved them, if we notify you to do so.

## **Insurance**

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Socks & Bottoms Store. These policies must be written by a responsible insurance carrier or carriers rated “A” or better by the A.M. Best Company, Inc. and that are acceptable to us. At a minimum, you must carry (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage in the amount of \$1,000,000, combined single limit per occurrence, \$2,000,000 general aggregate, or any greater amounts as your lessor may require; (ii) “All Risks” coverage for the full cost of replacement of the Store premises and all other property in which we may have an interest with agreed amount endorsement for the premises naming us as loss payee; (iii) automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit; (iv) an “umbrella” policy providing excess coverage with limits of not less than \$1,000,000 which must be excess of the general liability and automobile coverages; (v) business interruption insurance covering at least 12 months’ loss of profits and necessary continuing expenses for interruptions caused by any occurrence; (vi) worker’s compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to us, provided that you (a) maintain an excess indemnity or “umbrella” policy covering employer’s liability and/or a medical/disability policy covering medical expenses for on-the-job accidents, which policy or policies shall be written by a responsible carrier meeting the requirements set forth above and which shall contain such coverage amounts as you and we shall mutually agree upon and (b) conduct and maintain a risk management and safety program for your employees as you and we mutually agree is appropriate; and (vii) any other insurance required by your landlord or the state or locality in which your Store is situated.

## **Vehicles**

Any vehicle you use in the operation of the Store must meet our image and standards. You must place the signs and other decor items we require on the vehicle and keep it clean and in good working order at all times. You cannot permit anyone to operate the vehicle who is under 18 years old or who does not have a valid driver’s license in the state in which the Store is located. You must require each vehicle operator to comply with all laws, regulations and rules of the road and use due care and caution in operating and maintaining the vehicle.

## **Purchasing Arrangements**

Neither we nor our affiliates had any revenue from the sale of products or services to franchisees in the last fiscal year or received payments from any designated sources because of transactions with franchisees in the last fiscal year.

We intend to negotiate certain purchase arrangements (including price terms) for the purchase of certain items with suppliers for the benefit of franchisees. In doing so, we will seek to promote the overall interests of our franchise system and our interests as the franchisor. We or our affiliates may receive rebates from approved or designated sources. We do not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software from us or our designee, from suppliers we approve, or under our specifications are all considered “required purchases.” We describe these obligations in detail in the preceding sections of this Item 8. The magnitude of required purchases in relation to all purchases you make to establish and operate the Store is difficult to determine due to the highly variable nature of

expenditures necessary to establish and operate the Store as described in Item 7. We estimate that your total initial required purchases will be about 95% of the cost of your initial purchases or leases. We estimate your required purchases for the operation of the Store will be 95% or more of your annual purchases or leases. The majority of these required purchases will be from third parties under our specifications.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise agreement 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	Section 2 of the Franchise Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Sections 2, 7, 8 and 12 of Franchise Agreement	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Section 2 of Franchise Agreement	Items 1, 7, 8 and 11
d. Initial and ongoing training	Section 7.M of Franchise Agreement	Items 6, 7 and 11
e. Opening	Sections 2, 8.D and Attachment C of Franchise Agreement	Items 7 and 11
f. Fees	Sections 4 and 8 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Manuals	Sections 2, 3, 6, 7, 8, 9, 10, 11, 12 of Franchise Agreement	Items 8, 11, 14 and 16
h. Trademarks and proprietary information	Sections 9 and 10 and Attachment B of Franchise Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Section 6 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 7 of Franchise Agreement	Item 16
k. Territorial development and sales quotas	N/A	N/A
l. Ongoing product/service purchases	Sections 7 and 8 of Franchise Agreement	Items 8, 11 and 16
m. Maintenance, appearance and remodeling requirements	Sections 3 and 7 of Franchise Agreement	Item 8
n. Insurance	Section 12 of Franchise Agreement	Items 7 and 8

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
o. Advertising	Section 8 of Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Section 15 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections 6 and 7 of Franchise Agreement	Items 1, 11 and 15
r. Records and reports	Sections 4, 8 and 11 of Franchise Agreement	Item 11
s. Inspections and audits	Sections 2, 9 and 11 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 14 of Franchise Agreement	Items 6, 12 and 17
u. Renewal or extension of rights	Section 3 of Franchise Agreement	Items 6, 12 and 17
v. Post-termination obligations	Section 28 of Franchise Agreement	Item 17
w. Noncompetition covenants	Section 10 and Attachment B of Franchise Agreement	Item 17
x. Dispute resolution	Section 19G of Franchise Agreement	Item 17

## **ITEM 10**

### **FINANCING**

Neither we nor any agent or affiliate of ours offers direct or indirect financing to you or guarantees any note, lease, or obligation of yours.

## **ITEM 11**

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

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

Pre-Opening Obligations. Before you open your Store, we will:

1. Provide you a copy of our written site selection guidelines and give you the site selection assistance we believe to be necessary (Franchise Agreement, Section 5.A.).
2. Review your proposed site for compliance with our site selection guidelines and accept or not accept the site and your proposed lease or contract of sale within 30 days after receiving your site information (Franchise Agreement, Section 5.B.).

You must identify and secure a site for your Socks & Bottoms Store in the Designated Area (See Items 1 and 12). You must obtain our approval of the site as meeting our standards. You cannot place a Socks & Bottoms Store at a site we have not first accepted in writing. Your failure to obtain a site that we approve within the time periods required by the Franchise Agreement is a default under the Franchise Agreement for which we may terminate (Franchise Agreement, Section 17.C.).

When you identify a proposed site, you (or an approved real estate broker with which you are working) must submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines, a copy of the proposed lease (which incorporates a rider in substantially the form of Attachment G to the Franchise Agreement) or contract of sale for the site, and any other information we may require. We have 30 days after we receive this information to review and accept or not accept the proposed site and lease or contract of sale. In reviewing your proposed site, we consider various factors, including the condition of the site, the location of the site, population, and other demographic factors. If we accept multiple sites, you must provide us with written notice of the specific site that you intend to acquire for the Store within 10 days of our acceptance of the sites. The site selection factors considered by us in deciding whether or not to object to the proposed site may include the following: (a) demographics; (b) traffic patterns; (c) visibility; (d) business mix; (e) ability to reflect image to be portrayed by Socks & Bottoms Stores; and (f) adequacy of signs and image.

Promptly following our acceptance of the site for the Store, but in no event more than 270 days, after the Franchise Agreement is signed, you must acquire the site by purchase or lease, at your expense. You must provide us with a copy of the signed lease or contract of sale within 10 days of its signing (Franchise Agreement, Section 2.C.).

3. Provide you with access to our prototypical design plans and specifications for a Socks & Bottoms Store (Franchise Agreement, Section 5.C.).

4. Provide you with access to 1 set of our Manuals, either in paper or electronic form (Franchise Agreement, Section 5.D.).

5. Provide you with an Approved Inventory List and a list of approved suppliers (Franchise Agreement, Sections 5.I. and 5.J.).

6. Conduct an initial training program (Franchise Agreement, Sections 5.L. and 7.L.).

7. Give you a least 2 days of on-site opening assistance, subject (as to scheduling) to the availability of our personnel (Franchise Agreement, Section 5.M.).

#### Typical Length of Time Before You Open Your Store.

The typical length of time between the signing of the Franchise Agreement and the opening of your business is approximately 6 to 12 months. Factors that may affect this period may include whether you have a site selected when you sign the Franchise Agreement, your ability to obtain a site, prepare a site survey, arrange leasing and financing, make leasehold improvements, install fixtures, equipment, and signs, decorate the Store, meet local requirements, obtain inventory, and similar factors.

You must open your Store and commence business within 365 days after signing the Franchise Agreement (Franchise Agreement Section 2.C.). If you fail to begin operations within the stated time, we may unilaterally terminate the Franchise Agreement (Franchise Agreement, Section 17.C(4)), or we may, in our sole discretion, offer to enter into a mutual termination and release agreement (“MTA”) with you. If we offer to enter into an MTA with you, we will agree in the MTA that if, within 365 days following the effective date of the MTA, you obtain our approval for a new Store Location and enter into a new franchise agreement with us for that Location, you will not be required to pay an initial franchise fee under the new



franchise agreement. In addition, you must provide us periodic construction reports in the form we designate from the date you begin construction until the date you open the Store.

Continuing Obligations. During the operation of your Store, we will:

1. Conduct periodic evaluations of your operations (Franchise Agreement, Section 5.F.).
2. Give you any advice and written materials we may develop on the techniques of managing and operating Socks & Bottoms Stores (Franchise Agreement, Section 5.H.).
3. At our discretion, make available to you at a reasonable cost any merchandise we develop or approve for resale (Franchise Agreement, Section 5.K.).
4. Give you an updated Approved Inventory List and a list of approved suppliers as we deem appropriate (Franchise Agreement, Section, 5.I. and 5.J.).
5. Provide additional training programs and seminars at our option and remedial training upon request if we deem it to be necessary (Franchise Agreement, Section 5.N., and 7.M.).
6. Provide you with access to our proprietary software programs (if any) as may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee (Franchise Agreement, Section 5.E.).
7. Establish and administer a brand building fund and provide any advertising and promotional materials we develop for use by franchisees (Franchise Agreement, Sections 5.G. and Article 8.).

### **Advertising**

You must participate in all advertising and sales promotion programs that we may authorize or develop for Socks & Bottoms Stores (Franchise Agreement, Section 8.A(2)).

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention programs that we implement for all or part of the Socks & Bottoms franchise system and sign the forms and take the other action we require for you to participate in these programs. (Franchise Agreement, Section 8.A(1)).

Currently, we recommend that you spend at least 2% of your Gross Sales on local marketing, but we do not require you to do so. We have established a system-wide brand building fund (“Brand Building Fund”) to which all franchisees will be required to contribute a percentage of their Gross Sales on a weekly basis. Currently, we require you to contribute 0.5% of your Gross Sales to the Brand Building Fund. We may, from time to time, increase or decrease the amount you must contribute to the Brand Building Fund (Franchise Agreement, Section 8.C.). However, we will not require you to contribute more than 2% of your Gross Sales to the Brand Building Fund during the term of your Agreement. We will use the Brand Building Fund to develop, prepare, produce and administer advertising for the System on a regional and/or national basis.

All advertising and promotions you place in any medium must be conducted professionally and must conform to our standards and requirements, as described in Item 8 (Franchise Agreement, Section 8.E.).

We administer the Brand Building Fund. We will direct all advertising programs, including the creative concepts, materials and media used in the programs. We may use the Brand Building Fund to

satisfy the costs of maintaining, administering, directing, preparing and producing advertising. This includes the cost associated with developing, maintaining and updating our Website, of preparing and producing television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; endorsement costs; employing advertising agencies, including external marketing consultants; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. We are not required to make expenditures for you that are equivalent or proportionate to your Brand Building Fund contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising, nor are we required to spend any amount on advertising in any particular franchisee's Protected Area. We do not contribute to the Fund any amounts for company-owned Stores. Currently, no portion of the Brand Building Fund is used for advertising that is principally a solicitation for the sale of franchises. However, a portion of the Brand Building Fund may be spent on the development and maintenance of our Website, which may contain information relating to franchise opportunities for Socks & Bottoms Stores.

We anticipate that Brand Building Fund advertising will be conducted primarily through electronic or print media on a regional or national basis. We intend to have the majority of our advertising for the Brand Building Fund prepared by an outside advertising firm. We presently do not have an advertising council.

We will not use your Brand Building Fund contributions to defray any of our operating expenses, except for any reasonable administrative costs and overhead that we may incur in administering or directing the Brand Building Fund. We will prepare an annual statement of the Brand Building Fund's operations and will make it available to you if you request it from us in writing. We are not required to, and presently do not, have the Brand Building Fund statements audited.

Although the Brand Building Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Brand Building Fund, however, until all money in the Brand Building Fund has been spent for advertising or promotional purposes or returned to the contributors on the basis of their respective contributions (Franchise Agreement, Section 8.C.). Brand Building Fund contributions that are not spent in the year in which they are collected will be carried over to succeeding years.

You are not required to participate in any local or regional advertising cooperatives.

### **Computer and Electronic Cash Register Systems**

You must install and maintain a compatible computer or tablet at the Store that is capable of running the software that we require. The computer must have a high-speed modem that permits you to connect to the Internet and to transmit and receive e-mail.

You must install and run the Vend point-of-sale software. You must also install and maintain 1 point-of-sale terminal that is capable of running the Vend software. The Vend software is used to compile and manage Store sales information. You must purchase this software and the related point of sale hardware from a supplier we designate. Our current designated supplier for the POS system is Vend/Lightspeed (See Item 8.).

We estimate that the cost of the computer and point-of-sale system will be approximately \$2,000 to \$2,500 depending on the size of your Store. You must enter into an end user license agreement with Vend in order to use the point-of-sale system. A copy of the current form of end user license agreement is attached hereto as Exhibit G. You are not required to pay any additional software license fee for the Vend software.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system.

You must maintain a high-speed Internet connection (with e-mail capability).

You must install any other hardware or software for the operation of the Store that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. Specifically, we may require that you install and maintain systems that permit us to independently access and retrieve electronically any information stored in your computer systems, including information concerning your Store's Gross Sales, at the times and in the manner that we may specify periodically. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Socks & Bottoms Stores.

We may establish and maintain a commercial Website or an intranet or extranet system and may develop or use software and hardware to help process or support Socks & Bottoms Stores sales and information ("Web Services"), and you may be required to pay for the related development and ongoing maintenance and support costs. We have no obligation to establish or to maintain any Web Services indefinitely, and we may dismantle or discontinue the use of any component or program at any time. We may establish policies and procedures for the use of Web Services.

### **Confidential Operations Manuals**

After you sign the Franchise Agreement and when you begin initial training, we will provide you with access to a copy of our Manuals either in electronic or paper form. A copy of the table of contents of the Manuals is attached as Exhibit E. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. Our Manuals have a total of 256 pages.

### **Training**

Before the opening date of your Store, your Operating Principal and Lead Manager (if applicable) must have attended and completed to our satisfaction our initial management training program (Franchise Agreement, Section 7.M.).

Currently, the initial training is conducted in Las Vegas, Nevada. We provide instructors and training materials at no charge, but you must pay all expenses you and your personnel incur in initial training, including costs of travel, lodging, meals and wages. We may charge a reasonable training fee for training all successor or replacement personnel (Franchise Agreement, Section 7.M.).

The initial training program is administered and directed by Sarah Towne and Michael Pinal. Ms. Towne has over 15 years of experience in developing and administering franchise training programs. Mr. Pinal has been involved in training for Socks & Bottoms Stores since the founding of Socks & Bottoms in 2018.

The initial training program is offered as needed during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Socks & Bottoms Stores. Initial training generally lasts approximately 6 days. The subjects covered and other information relevant to our initial training program are described below.

## TRAINING PROGRAM

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-job Training</b>	<b>Location</b>
Sales/Products/Shift management	5	9.5	Las Vegas, NV
POS	3	9.5	Las Vegas, NV
Administration	6	4	Las Vegas, NV
General Business	7	0	Las Vegas, NV
<b>TOTAL</b>	21	23	

The materials used in training include the Manuals as well as other presentation materials, including PowerPoint presentations and handouts. Our initial training program is subject to change without notice to reflect updates in the materials, methods and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees.

We may require your Operating Principal and Lead Manager (if applicable) to attend additional training programs and seminars. We have the right to charge a reasonable fee for these additional training programs and seminars. You must pay all expenses you or your personnel incur in any training program or seminar, including the cost of travel, lodging, meals and wages (Franchise Agreement, Section 7.M.).

### **ITEM 12**

#### **TERRITORY**

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

The Franchise Agreement gives you the right to operate a Socks & Bottoms Store at a site we accept as meeting our site selection guidelines (the "Location"). You must select the site for your Store from within the non-exclusive Designated Area identified in the Franchise Agreement.

There is no minimum area that will comprise your Designated Area. However, we will determine the Designated Area and insert it in the Franchise Agreement before you sign the Franchise Agreement. The Designated Area will exclude any existing or future Protected Area of another Socks & Bottoms franchisee that is or may be within the Designated Area.

If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish a Socks & Bottoms Store in the geographic area identified in Attachment C of the Franchise Agreement (the "Protected Area") during the term of the Franchise Agreement. The determination of the actual shape and size of your Protected Area is based on an analysis of various factors, including, population density, income level and the number of households and businesses in the area, but will typically be at least a one (1) mile radius around the Location.

Continuation of your Protected Area does not depend on the achievement of a certain sales volume, market penetration or other contingency. There are no circumstances that would permit us to modify your territorial rights during the term of the Franchise Agreement, but we may modify your Protected Area upon

renewal. You do not receive the right to acquire additional franchises within or outside of your Protected Area unless you sign another Franchise Agreement with us.

You must operate the Store only at the “Location” set forth in Attachment C to the Franchise Agreement. You cannot relocate the Store without our consent, which we may grant or withhold in our sole discretion. Our decision to grant or withhold our consent to your relocation will be influenced by various factors, including the demographics, traffic patterns, visibility, economic conditions, and business mix of the proposed new location. If you lose possession of the Location through no fault of your own, you must apply to us within 30 days for our approval to relocate your Store. You must relocate to another site in the Protected Area. You may not actively solicit or accept business from consumers located outside your Protected Area through any method of distribution, including alternative channels such as the Internet, catalog sales, telemarketing, or other direct marketing.

We retain all other rights. Among other things, this means we can:

- (i) Develop and establish other business systems using the Marks, or other names or marks, and grant licenses to use those systems without providing any rights to you;
- (ii) Advertise and promote the System in the Protected Area;
- (iii) Operate, and license others to operate, Socks & Bottoms Stores at any location outside the Protected Area and in any Reserved Area. A “Reserved Area” includes any amusement park, theme park, sports stadium or arena, airport, train station, hospital, school, hotel, office building or military base; and
- (iv) Within and outside the Protected Area, offer and sell, and authorize others to offer and sell, any similar or dissimilar products and services, (under the Marks or under other names or marks) through any channel or by any method of distribution (including the Internet, catalog sales, telemarketing, or other direct marketing) other than a Socks & Bottoms Store, on any terms and conditions we deem appropriate, without compensation to you.

The Socks & Bottoms Online Business, operated by N&P LV Holdings, LLC offers products that are similar to the products offered and sold at Socks & Bottoms Stores and solicits and accepts orders from within Socks & Bottoms franchisees’ protected areas. We do not intend to offer franchises for the Socks & Bottoms Online Business. We do not currently have a policy for resolving conflicts between Socks & Bottoms franchisees and us with respect to the Socks & Bottoms Online Business. The Socks & Bottoms Online Business has a principal business address of 3545 South Las Vegas Boulevard, Suite #L15B, Las Vegas, Nevada 89109., and also has separate warehousing and order fulfillment facilities.

You may only use the Internet to advertise on our Website in compliance with the Franchise Agreement.

### **ITEM 13**

#### **TRADEMARKS**

The Franchise Agreement gives you a license to operate a Socks & Bottoms Store under the mark “Socks & Bottoms” and to use any future Marks we authorize.

The following Marks are in the process of being registered with the U. S. Patent and Trademark Office (PTO) and is owned by Socks & Bottoms Franchising, LLC. Socks & Bottoms intends to renew the registrations and to file all appropriate affidavits at the appropriate times required by law.

<b>MARK</b>	<b>REGISTER</b>	<b>REGISTRATION NUMBER</b>	<b>FILING DATE</b>
SOCKS & BOTTOMS	Principal	Pending	September 16, 2022
SOCKS & BOTTOMS & Design (in black and white)	Principal	Pending	September 16, 2022

There is no presently effective determination of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving any of the Marks which are relevant to their ownership, use or licensing. We know of no superior prior rights or infringing use that could materially affect your use of the Mark.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any infringement, challenge or claim. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or PTO (or other) proceeding, from any infringement, challenge or claim concerning any of the Marks. You must sign all instruments and documents and give us any assistance that, in our counsel's opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must sign any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents, and do not have any pending patent applications, that are material to the franchise. We do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials relating to the operation of Socks & Bottoms Stores and the System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your Principals must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Principals must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Principals can give this confidential information only to your employees who need it to operate your Socks & Bottoms Store. You must have your Lead Manager and Store Managers and any of your other personnel who have received or will have access to our confidential information, sign similar covenants (See Item 15.).

If you or your Principals develop any new concept, process or improvement in the operation or promotion of your Socks & Bottoms Store, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Principals agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

#### **ITEM 15**

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

When you sign the Franchise Agreement, you must designate an individual to serve as your “Operating Principal.” If you are an individual, you will be the Operating Principal. The Operating Principal must be the same person for all Stores that you or your affiliate operates. If you are not an individual, where legally permitted, your Operating Principal must maintain a direct or indirect ownership interest in you of not less than 10%, unless we consent otherwise. This interest may not be pledged, mortgaged, hypothecated, or be subjected to any lien, charge, or encumbrance, voting agreement, proxy, security interest or purchase right or option, without our consent.

Unless a Lead Manager is appointed, as discussed below, your Operating Principal must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement and may not engage in any other business. He or she must satisfy our training requirements and our other standards and must guaranty your performance under the Franchise Agreement. Your Operating Principal will be individually, jointly and severally bound by all of your obligations and the obligations of the Operating Principal and a Principal under the Franchise Agreement (See Item 1).

You may, at your option and subject to our written consent, designate a Lead Manager to supervise your operations under the Franchise Agreement. The Lead Manager must be the same person for all Stores that you or your affiliate operates. Even if we permit you to designate a Lead Manager to supervise your operations under the Franchise Agreement, your Operating Principal remains ultimately responsible for the Lead Manager’s performance. The Lead Manager must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement. Your Operating Principal and Lead Manager (if applicable) must attend and complete to our satisfaction our initial management training program.

You must notify us promptly if your Operating Principal or Lead Manager cannot continue to serve or no longer qualifies as an Operating Principal or a Lead Manager. You will have 30 days from the date of the notice (or from any date that we independently determine the Operating Principal or Lead Manager no longer meets our standards) to take corrective action. During that 30 day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

At least 45 days before the Store opens for business, you must designate at least 1 Store Manager. Your Store Managers must satisfy our educational and business criteria and must be acceptable to us. The Store Managers are responsible for the daily operation and management of the Store, and must devote their full time and best efforts to the business. One of the Store Managers may, but need not be, the Operating Principal or Lead Manager.

At our request, you must have your Lead Manager, Store Managers and any other personnel who will have access to our training, sign covenants not to compete and must maintain the confidentiality of information they have access to through their relationship with you. (See Item 14.) These covenants will be in substantially the form of Attachment B to the Franchise Agreement. Those of your Principals who are not signing the Guaranty also must sign these covenants. If you are an individual, your spouse must sign a personal guaranty, making your spouse jointly and severally liable for your obligations. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph (See Item 17.).

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

All products you use or sell at the Store must conform to our standards and specifications (See Item 8.). These are described in our Manuals and other writings, including the Approved Inventory List. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Store.

You must offer and sell all inventory items, products and services we require, including those on the Approved Inventory List. You must sell only the inventory items, products and services that we have expressly approved in writing. You must stop selling any inventory items, products or services that we disapprove in writing. We may change the types of inventory items, products and services we require franchisees to offer and sell at any time in our discretion. You must display all inventory items in the manner described in our Manuals or other written instructions. You must not use or offer nonconforming items, unless we first give you our written consent. You must not sell inventory or services outside of the premises of your Store unless we consent in writing. The inventory and services to be offered at your Store may be supplemented, improved or otherwise modified by us periodically. You must open and operate the Store during the hours we specify in the Manual or otherwise in writing.

We do not guarantee the availability of any of the items on the Approved Inventory List or that your Store will be able to carry any particular brand of socks, underwear, bras, other apparel, or other product.

We 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 or services.

We may make available to you and may require you to purchase from us for resale to your customers certain merchandise, like Socks & Bottoms memorabilia, in amounts necessary to meet your customer demand.



You may not advertise, promote, post or list information relating to the Store on the Internet (through the creation of a Website or otherwise), unless we decide to include information about your Store on our Website. You will not use the Marks as part of any domain name, web address or e-mail address.

Although you are only granted the right to operate a Socks & Bottoms Store at the Location, you must use the method, manner and style of distribution that we may in the future prescribe in writing, in the Manuals or otherwise. You must comply with the terms of any distribution program and sign any documents or instruments that we require.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or the customers to whom you may offer or sell.

### **ITEM 17**

#### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

##### **THE FRANCHISE RELATIONSHIP**

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

**[see table starting on next page]**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3.A	10-year initial term.
b. Renewal or extension of the term	Section 3.B	2 consecutive 5-year periods.
c. Requirements for franchisee to renew or extend	Section 3.B	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document.
		Other conditions include: you must give written notice; you must update required items; you are not in default; you must pay all money owed; you must retain right to Location; you must pay us a renewal fee; you must sign general release (See Exhibit F); you must comply with then-current qualifications and training requirements.
d. Termination by franchisee	Not Applicable	Franchisor may terminate the Franchise Agreement under any grounds permitted by state law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with “cause”	Section 17.	We may terminate on your default.

Provision	Section in franchise or other agreement	Summary
g. "Cause" defined – curable defaults	Section 17.D.	For any default except those specified as non-curable you have 30 days to cure (5 days for failure to submit a required report or pay monies; 24 hours for misuse of the Marks; 7 days if you fail to obtain the required insurance coverages; 10 days if you fail to comply with the noncompetition covenants; 10 days if you fail to pay any amount due and owing any creditor).
h. "Cause" defined – non-curable defaults	Sections 17.B and 17.C.	Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; operation of Store at location that we have not accepted; failure to obtain acceptance of proposed site or acquire Location, to construct or remodel in accordance with prototypical plans, to begin business within the required time period; abandonment or forfeiture of right to do business; conviction of certain crimes; threat to public health or safety; unauthorized transfer; failure to comply with certain confidentiality covenants; false records or submission of false reports; breach of any covenants or false representations or material misstatements or omissions; failure to comply with quality assurance program; understatement of Gross Sales or other amounts by more than 5% or understatement by more than 3% 2 times within any 12 month period; default of any other franchise agreement; repeated defaults whether or not cured. A provision in the Franchise Agreement which terminates the Franchise Agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
i. Franchisee’s obligations on termination/nonrenewal	Section 18.	Stop operating your Store and using the System’s confidential methods, procedures, techniques and marks; cancel any registration containing the Marks; pay amounts due and our damages and enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; at our option, sell or assign us your rights in business telephone numbers, advertising and promotional materials, furnishings equipment, and the premises.
j. Assignment of contract by franchisor	Section 14.A.	We may transfer our rights without restriction.
k. “Transfer” by franchisee – defined	Sections 14.B.	You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the franchised business without our consent.
l. Franchisor’s approval of transfer by franchisee	Section 14.B.	We must consent and you must meet conditions before transferring.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
m. Conditions for franchisor's approval of transfer	Section 14.B.	Pay all amounts due; not be in default; sign a general release (See Exhibit F); pay transfer fee; have the Store open for business and operating; and remain liable for pre-transfer obligations. Transferee must meet our criteria, complete required training, guaranty obligations; enter into then-current franchise agreement and upgrade the Store.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.D.	On 30 days written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Sections 18.A(8) and (9) and 18.B.	Upon termination or expiration we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to purchase the furnishings, equipment, signs, fixtures, supplies, materials, inventory and other assets, at fair market value (except for products manufactured by us or our affiliates, which may be purchased for the amount paid by you, excluding delivery and late fees), and, if you own the land where the Store is located, we have the option to lease the land (and any building on the land used for the operation of the Store), for fair market value. We have the option to have the lease for the premises of the Store assigned to us.
p. Death or disability of franchisee	Section 15.E.	On death or permanent disability of you or a Principal the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section 10.C.(1).	You may not operate or have an interest in a business which is similar to the franchised business.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
r. Non-competition covenants after the franchise is terminated or expires	Sections 10.C.(2).	For 2 years you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the franchised business at the Location, within the Protected Area, or within a 15-mile radius of the location of any Socks & Bottoms Store then in existence or under construction.
s. Modification of the agreement	Sections 10.A and 19.B.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.
t. Integration/merger clause	Section 19.B.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. We may not disclaim representations made in the disclosure document.
u. Dispute resolution by arbitration or mediation	Section 19.G.	Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except actions based on the Marks or confidential information.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
v. Choice of forum	Sections 19.G and 19.H.	<p>Unless contrary to applicable state law: Mediation in Middlesex County, Massachusetts, except actions based on the Marks or confidential information; venue for any other proceeding is Middlesex County, Massachusetts or the federal district court for the District of Massachusetts (subject to state law).</p> <p>In addition to the provisions noted in this chart, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of the right to a jury trial, a waiver of punitive or exemplary damages and limitations on when claims may be raised (See Franchise Agreement, Article 19). We recommend that you carefully review all of these provisions, and all of the contracts listed in Item 22, with a lawyer.</p>
w. Choice of law	Section 19.I.	Unless contrary to applicable state law, the Franchise Agreement is to be interpreted and construed under Massachusetts law, except for Massachusetts choice of law rules (subject to state law).

**ITEM 18**

**PUBLIC FIGURES**

We do not use any public figure to promote the 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 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 performance at a particular location or under particular circumstances.

### **AVERAGE GROSS SALES AND AVERAGE WEEKLY GROSS SALES**

This portion of the financial performance representation includes information relating to the average Gross Sales and average weekly Gross Sales for the period from January 1, 2022 to December 31, 2022 (the “Reporting Period”) for the seven affiliate-owned Socks & Bottoms Stores in the United States that operated during the entire Reporting Period and were open and operating as of December 31, 2022 (the “Sample Stores”).

These seven Sample Stores represent 87.5% (eighty-seven and one half percent) of the Socks & Bottoms Stores in the United States open as of the end of the Reporting Period.

The Gross Sales realized will vary from Store to Store and will be directly affected by many factors, such as the Store’s size, geographic location, competition in the marketplace; the presence of other Socks & Bottoms Stores; and the quality of management and service at the Store.

This financial performance representation reflects only average gross revenue and average gross margin of the Sample Stores and does not reflect any additional costs of sales, operating expenses, and other costs or expenses that you will incur in operating the Store, including the royalty fees and advertising contribution that you must pay under the terms of the Franchise Agreement. (See Item 6 of this disclosure document.) This financial performance representation also does not include debt service or equipment lease costs that may be incurred in the operation of a Socks & Bottoms Store. In addition, this financial performance representation does not include any information about the federal income taxes payable on any net income derived from the operation of the Store or state or local net income or gross profits taxes that may be applicable in the jurisdiction in which your Store is located.

You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business.

#### **Average Gross Sales and Average Weekly Gross Sales for the Sample Stores During the Reporting Period<sup>1</sup>**

Average Gross Sales: \$681,314.04<sup>2</sup>

Average Weekly Gross Sales: \$13,102.19<sup>3</sup>

Average Gross Margin: 67%<sup>4</sup>

#### **Notes:**

1. We compiled these figures from the individual Stores’ actual reported Gross Sales for the Reporting Period. This information has not been audited or otherwise verified by us.

2. This figure represents the average Gross Sales for all of the Sample Stores during the Reporting Period.

3. This figure represents the average weekly Gross Sales for all of the Sample Stores during the Reporting Period.

4. This figure represents the average Gross Margin for all of the Sample Stores during the Reporting Period.



Some outlets have sold this amount. Your individual results may differ. There is no assurance that you will sell as much. Two Sample Stores (or 28.6%) equaled or exceeded the Average Gross Sales. Two Sample Stores (or 28.6%) equaled or exceeded the Average Weekly Gross Sales. Four Sample Stores (or 57.1%) equaled or exceeded the Average Gross Margin.

You should use this information only as a reference to conduct your own analysis of the franchise opportunity in consultation with your financial, business, legal and tax advisers.

We have written substantiation in our possession to support the information appearing in this Item 19 and such substantiation will be made available to you on reasonable request.

Other than the preceding financial performance representation, Socks & Bottoms Franchise Company, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Sarah Towne at 385 Concord Avenue, Suite 203, Belmont, Massachusetts 02478; 617-645-3755, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20**

### **OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For years 2020 to 2022 <sup>(1)</sup>**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	N/A	N/A	N/A
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	5	6	+1
	2021	6	7	+1
	2022	7	8	+1
Total Outlets	2020	5	6	+1
	2021	6	7	+1
	2022	7	8	+1

**Notes:**

1. All numbers are as of our fiscal year end, which is December 31.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2020 to 2022 <sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Notes:**

1. All numbers are as of our fiscal year end, which is December 31. Socks & Bottoms Franchising, LLC was formed in 2021 and had no operations prior to its formation.

**Table No. 3**

**Status of Franchised Outlets  
For years 2020 to 2022 <sup>(1)</sup>**

<b>Col. 1</b>	<b>Col. 2</b>	<b>Col. 3</b>	<b>Col. 4</b>	<b>Col. 5</b>	<b>Col. 6</b>	<b>Col. 7</b>	<b>Col. 8</b>	<b>Col. 9</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations-Other Reasons</b>	<b>Outlets at End of the Year</b>
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**Notes:**

1. All numbers are as of our fiscal year end, which is December 31. Socks & Bottoms Franchising, LLC was formed in 2021 and had no operations prior to its formation.

**Table No. 4**

**Status of Company-Owned Outlets  
For years 2020 to 2022<sup>(1)</sup>**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of Year
Nevada	2020	4	0	0	0	0	4
	2021	4	1	0	0	0	5
	2022	5	1	0	0	0	6
California	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Minnesota	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
TOTALS	2020	5	1	0	0	0	6
	2021	6	1	0	0	0	7
	2022	7	1	0	0	0	8

**Notes:**

1. All numbers are as of our fiscal year end, which is December 31.

**Table No. 5**

**Projected Openings As Of December 31, 2022**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet In the Next Fiscal Year
Georgia	0	1	0
TOTAL	0	1	0

The name, business address, and business telephone number of each current franchisee as of December 31, 2022 are listed on Exhibit C.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Store terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the date of issuance of this disclosure document are listed on Exhibit D.

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

As of the date of this disclosure document, we are not offering outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet may be provided to you in a supplement to this disclosure document.

As of December 31, 2022, we have no current or former franchisees who have signed provisions during the last three fiscal years restricting their ability to speak openly to you about their experience with the Socks & Bottoms franchise system.

As of the date of this disclosure document, no independent trademark-specific franchisee organizations have asked to be included in this disclosure document and there are no franchisee organizations sponsored or endorsed by us.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached as Exhibit A are our audited financial statements from our inception on June 22, 2022 through December 31, 2022. We have not been in business for three years or more; therefore, we cannot include all the financial statements required by the NASAA Guidelines for our last 3 years.

## **ITEM 22**

### **CONTRACTS**

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with attachments).
2. Form of General Release (Exhibit F).

## **ITEM 23**

### **RECEIPTS**

Attached as the last 2 pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

**EXHIBIT A**  
**FINANCIAL STATEMENTS**



**SOCKS & BOTTOMS FRANCHISING, LLC**

**FINANCIAL STATEMENTS**  
**(Audited)**

**For the Period from June 22, 2022 (Inception)**  
**to December 31, 2022**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
of Socks & Bottoms Franchising, LLC

### **Opinion**

We have audited the accompanying balance sheet of Socks & Bottoms Franchising, LLC (a Nevada limited liability corporation) as of December 31, 2022, for the initial accounting period beginning June 22, 2022 of the Company, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Socks & Bottoms Franchising, LLC as of December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Socks & Bottoms Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Socks & Bottoms Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 statement, 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 statement.
- 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 Socks & Bottoms 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Socks & Bottoms 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.

*Robin Brown, CPA, LLC*

Robin Brown, CPA, LLC  
Buford, Georgia  
February 9, 2023



**Socks & Bottoms Franchising, LLC**  
**Balance Sheet**  
**December 31, 2022**

ASSETS

Cash	\$ <u>8,280</u>
Total Current Assets	<u>8,280</u>
Intangibles	
Website development	<u>4,500</u>
Total Fixed Assets and Intangibles	<u>4,500</u>
Total Assets	\$ <u><u>12,780</u></u>

LIABILITIES AND MEMBERS' CAPITAL

Accounts Payable and Accrued Liabilities	\$ 14,020
Total Current Liabilities	<u>14,020</u>
Members' Capital	<u>(1,240)</u>
Total Liabilities and Members' Capital	\$ <u><u>12,780</u></u>

See Accompanying Notes and Independent Auditor's Report

**Socks & Bottoms Franchising, LLC**  
**Statement of Income and Members' Capital**  
**for the period from June 22, 2022 (inception)**  
**to December 31, 2022**

Revenue		
Franchise Fees	\$	-
Royalty Fees		-
		<u>          -</u>
Total Revenue		-
Expenses		
Selling and Marketing		47,466
General and Administrative		2,274
Depreciation		-
Legal and Professional Fees		11,500
		<u>          11,500</u>
Operating Expenses		61,240
Net Income (Loss) from Operations		(61,240)
Other Income (Expense)		
Other Income		-
Other Expenses		-
		<u>          -</u>
Total Other Income (Expense)		-
Net Income (Loss)	\$	(61,240)
Members' Capital, Beginning of Period		-
Members' Contributions		60,000
Members' Distributions		-
		<u>          -</u>
Members' Capital, End of Period	\$	<u><u>          (1,240)</u></u>

See Accompanying Notes and Independent Auditor's Report

**Socks & Bottoms Franchising, LLC**  
**Statement of Cash Flows**  
**for the period from June 22, 2022 (inception)**  
**to December 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ (61,240)
Adjustments:	
Depreciation	-
(Increase) decrease in accounts receivable	-
Increase (decrease) in accounts payable	14,020
Net cash provided by operating activities	<u>(47,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(4,500)
Sale of fixed assets	-
Net cash used by investing activities	<u>(4,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from (repayments of) notes payable	-
Contributions from Members	60,000
Distributions to Members	-
Net cash used by financing activities	<u>60,000</u>
NET INCREASE IN CASH	8,280
CASH, BEGINNING	<u>-</u>
CASH, ENDING	<u>\$ 8,280</u>
Cash paid for Interest Expense	\$ -
Cash paid for Income Taxes	\$ -

See Accompanying Notes and Independent Auditor's Report

Socks & Bottoms Franchising, LLC  
Notes to Financial Statements  
December 31, 2022

NOTE 1 - NATURE OF BUSINESS

Socks and Bottoms Franchising, LLC. (the Company) was organized on December 7, 2021, under the laws of the State of Nevada. The Company is a limited liability company primarily engaged in offering and selling franchises throughout the United States for the operation of retail stores that specialize in the sale of novelty socks and underwear. The company is owned by active and passive members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements. The Company's basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, money market accounts, and highly liquid assets with an initial maturity of three months or less. The Company prepares its statement of cash flows using the indirect method.

The Company's cash consists of a business checking account maintained at one financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company's cash balances on December 31, 2022 did not exceed the FDIC insurance limits.

Accounts Receivable

Accounts receivable consists of primarily amounts due from franchisees on the sale of initial franchises or separately stated royalty receivable. These receivables are carried at original amounts due less an estimate for doubtful accounts.

Inventory

Inventory costs, if any, consist of the amounts paid to acquire the inventory plus any transportation costs relating to relocating inventory.

Socks & Bottoms Franchising, LLC  
Notes to Financial Statements  
December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Franchisee Deposits

Franchisee deposits primarily include amounts received from franchisees toward the purchase of a franchise location under a Socks and Bottoms Franchising, LLC franchise agreement. We recognize these deposits as revenue upon the retail store meeting all requirements to be open for retail sales under the agreement.

Advertising and Promotional Costs

The Company expenses advertising and promotional costs as incurred and are included in the schedule of selling, general and administrative expenses. Advertising and promotional costs totaled \$47,466 as of December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company derives its income from franchise fees and royalty agreements with the franchisees' stores bearing the name Socks and Bottoms.

Revenues from franchise fees is recognized when earned which is the later of when the franchise fee is non-refundable and substantially all services provided by the franchisor are complete. Revenues from franchise fees is deemed to be earned when the retail store has met all requirements to be open for retail sales.

Royalties from individual franchisees are based upon a percentage of each franchisee's sales and are recognized as income when the royalties are earned and become receivable from the franchisee.

There are no franchise sales or royalties for the period ending December 31, 2022.

Socks & Bottoms Franchising, LLC  
Notes to Financial Statements  
December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are carried at cost. Expenditures for repairs and maintenance are expensed, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts. Any resulting gain or loss is included in operations. Depreciation is computed using the double declining method over the estimated useful lives of the assets, as follows:

<u>Asset Category</u>	<u>Depreciable Life</u>
Equipment	5-7 years
Furniture and Fixtures	5-7 years
Vehicles	3-5 years

Intangible Assets

Intangible assets consist of the website developed to promote franchise sales and brand recognition in addition to supporting franchisees. The website was under development in 2022 and not fully functional and placed into service until 2023. When placed in service, it will be amortized over the useful life of the assets. Intangible assets are evaluated for the possibility of impairment at least annually.

Income Taxes

The Company itself is not a taxpaying entity for purposes of Federal and state income taxes. Federal and state income taxes of the company are computed on the owner's total income from all sources; accordingly, no provision for income taxes is made in these statements.

It is the intention of the Board of Directors to make distributions at least equal to the stockholders' tax obligations arising from the taxable income of the Company. There are no tax liabilities to address for the period ending December 31, 2022.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financials or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing

Socks & Bottoms Franchising, LLC  
Notes to Financial Statements  
December 31, 2022

authorities. The Company's income tax returns are subject to examination by the appropriate tax jurisdictions for three years after filing each return.

NOTE 3 - INVENTORY

There is no inventory as of December 31, 2022.

NOTE 4 – PROPERTY, EQUIPMENT, AND INTANGIBLES

There is no property or equipment or related accumulated depreciation or depreciation expense as of December 31, 2022.

The website is currently under development and will be placed into service in 2023. It is reported at cost and will not be amortized until placed into service.

NOTE 5 – ACCOUNTS PAYABLE

The accounts payable as of December 31, 2022 are credit card transactions incurring before December 31, 2022, but not paid until January, 2023.

NOTE 6 - COMMITMENTS AND LIABILITIES

There are no commitments, liabilities, or contingencies as of December 31, 2022.

NOTE 7 - RELATED PARTY TRANSACTIONS

There are no related party transactions as of December 31, 2022.

NOTE 8 - SUBSEQUENT EVENTS

Management has reviewed the financial statements as of February 9, 2023 which is the date the financial statements were available to be issued and no events or transactions have occurred subsequent to the balance sheet date that would have a material effect on the financial statements or require adjustment or disclosure in the statements.

**SOCKS & BOTTOMS FRANCHISING, LLC**

**FRANCHISE AGREEMENT**

**FOR**

\_\_\_\_\_  
**Name of Franchisee**

\_\_\_\_\_  
**Street Address**

\_\_\_\_\_  
**City State Zip**

(\_\_\_\_\_) \_\_\_\_\_  
**Area Code Telephone**

**FRANCHISED LOCATION:**

\_\_\_\_\_  
**Street Address**

\_\_\_\_\_  
**City State Zip**

(\_\_\_\_\_) \_\_\_\_\_  
**Area Code Telephone**

**No.** \_\_\_\_\_

**STORE NO.:** \_\_\_\_\_

**CONTRACT DATE:** \_\_\_\_\_

**OPEN DATE:** \_\_\_\_\_

**CONTROL #:** \_\_\_\_\_



**SOCKS & BOTTOMS FRANCHISING, LLC**

**FRANCHISE AGREEMENT**

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**ATTACHMENTS**

Attachment A	Principals’ Guaranty and Assumption Agreement
Attachment B	Confidentiality Agreement and Ancillary Covenants
Attachment C	Selected Terms: Designated Area, Location, Protected Area, and Opening Date
Attachment D	Statement of Ownership Interests and Management Information
Attachment E	Electronic Funds Transfer Authorization
Attachment F	Definitions
Attachment G	Lease Addendum Terms

## SOCKS & BOTTOMS FRANCHISING, LLC

### FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into by and between Socks & Bottoms Franchising, LLC a Nevada limited liability company (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) to be effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, (the “Effective Date,” which is the date on which Franchisor executes this Agreement). Certain initially capitalized terms used frequently in this Agreement are defined in Attachment F hereto.

#### RECITALS:

Franchisor has the right to use and license the use of a system (the “System”) for the establishment and operation of retail stores that specialize in the sale of socks, underwear, bras, and related apparel and accessories under the Marks (defined below) (“Socks & Bottoms Store” or “Store”).

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which may be changed, improved, and further developed by Franchisor from time to time.

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “SOCKS & BOTTOMS” and such other trade names, service marks, trademarks, logos, emblems and indicia of origin as are now designated, and may hereafter be designated by Franchisor in writing, for use in connection with the System (the “Marks”).

Franchisee wishes to obtain a franchise to establish and operate a Socks & Bottoms Store using the Marks and the System at the Location identified on Attachment C.

Franchisor is willing to grant Franchisee a franchise to do so upon the terms and conditions set forth in this Agreement in reliance on Franchisee’s application and Franchisee’s representations made in this Agreement.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

#### **1. GRANT**

- A. **Grant of Rights.** Franchisor hereby grants Franchisee the right and license, and Franchisee hereby accepts the right and obligation, to establish and operate a Store in accordance with this Agreement under the Marks and the System at the Location described in Attachment C to this Agreement.
- B. **Protected Area.** Upon Franchisee’s acquisition of the Location for the Store, Franchisor will insert the address of the Location and a description of a Protected Area surrounding the Location in Attachment C. As long as Franchisee is in full compliance with this Agreement and any other agreement between Franchisee and Franchisor or its affiliates, then except as otherwise expressly provided in this Agreement (including Section 1.C. of this Agreement), neither Franchisor nor any affiliate of Franchisor will establish, or authorize any person or entity other than Franchisee to establish, a Socks & Bottoms in the Protected Area during the term of this Agreement.
- C. **Reserved Rights.** The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisor and its affiliates have and retain all rights within and outside the Protected Area except those

expressly granted to Franchisee. Accordingly, Franchisor, its affiliates, and any other authorized person or entity shall have the right, among others, (i) within and outside the Protected Area to develop and establish other business systems (including systems that distribute products or services similar to those offered at Socks & Bottoms Stores) using the Marks, or other names or marks, and to grant licenses to use those systems without providing any rights to Franchisee, (ii) to advertise and promote the System and the Stores in the Protected Area, (iii) to operate, and license others to operate, Socks & Bottoms Stores at any location outside the Protected Area and in any Reserved Area, including locations that are adjacent to or surrounded by the Protected Area, and (iv) except for the restriction set forth in Section 1.B. against the establishment of another Socks & Bottoms Store in the Protected Area during the term hereof, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all socks, underwear, bras, related apparel and accessories or other services and products, under the Marks, or under other names or marks, within and outside the Protected Area, through any method of distribution, including, but not limited to, from vending machines and kiosks and through mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, Franchisee's Socks & Bottoms Store.

- D. Relocation. Franchisee shall not relocate the Socks & Bottoms Store without Franchisor's express prior written consent. If Franchisee is unable to continue the operation of the Socks & Bottoms Store at the Location because of the occurrence of an event of Force Majeure (or for other reasons not constituting an event of default under this Agreement), Franchisee may request Franchisor's consent to relocate the Store to another location in the Protected Area. If Franchisor grants Franchisee the right to relocate the Store, then Franchisee shall comply with such reasonable site selection and construction procedures as Franchisor may require.

## **2. SITE SELECTION, PLANS, CONSTRUCTION AND OPENING DATE**

- A. Designated Area. Franchisee assumes all cost, liability, expense and responsibility for locating (including any costs and expenses associated with engaging Franchisor's designated real estate broker), obtaining and developing a site for the Store within the geographic area described in Attachment C ("Designated Area"). Franchisee acknowledges and agrees that the Franchisee acquires no rights in and to the Designated Area, other than the right to select a site for the Store from within its boundaries, and, without limitation of the foregoing, Franchisee has no exclusivity rights in the Designated Area. Franchisee further acknowledges and agrees that the Designated Area excludes any existing Protected Area of another Socks & Bottoms franchisee within the Designated Area and any Protected Area of another Socks & Bottoms franchisee which may be designated after the execution of the Franchise Agreement and is within the Designated Area.
- B. Site Approval. Before acquiring a site for the Store, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the site, evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require, including, but not limited to, copies of a proposed lease (which incorporates a rider in substantially the form attached hereto as Attachment G) or a contract of sale for the site. Franchisor shall have thirty (30) days after receiving Franchisee's site information to accept or not accept, in Franchisor's sole discretion, the proposed site as the location for the Store. No site may be used for a Socks & Bottoms Store unless it is first approved in writing by Franchisor, and Franchisee shall not make any binding commitment with respect to a site for the Store unless the site is first approved in writing by Franchisor. If Franchisor approves multiple sites for the Store, Franchisee shall notify Franchisor in writing within ten (10) days of the date of such approval of the site that Franchisee intends to acquire for the Store. Franchisee acknowledges that Franchisor's acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a

representation, promise, warranty or guarantee, express or implied, by Franchisor that the Store operated at that site will be profitable or otherwise successful.

- C. Site Acquisition. Promptly following Franchisor's acceptance of the site for the Store, but in no event later than two hundred seventy (270) days after the execution of the Franchise Agreement, Franchisee shall acquire the site by purchase or lease, at Franchisee's expense. Franchisee shall furnish to Franchisor a copy of the executed lease or contract of sale within ten (10) days after execution.
- D. Contractual Designation of Site. After Franchisor accepts the site and Franchisee acquires the site pursuant to this Agreement, the address of the site shall be entered on Attachment C to the Franchise Agreement as the Location and the Designated Area will be of no further force or effect.
- E. Licenses; Permits. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Store at the Location. Before beginning construction of the Store, Franchisee shall (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Store, and (ii) certify in writing to Franchisor that they have been obtained. At Franchisor's request, Franchisee shall provide to Franchisor copies of all such approvals, clearances, permits, licenses and certifications. Franchisee shall further certify in writing to Franchisor that the insurance coverage specified in Section 12 of this Agreement is in full force and effect.
- F. Construction and Finish Out. Franchisee shall obtain, at its expense, any architectural, engineering, design, construction and other services it deems necessary for the construction of the Socks & Bottoms Store.
  - i Franchisee shall adapt Franchisor's prototypical architectural and design plans and specifications for a Socks & Bottoms Store as necessary for the completion of the Site-Work for the Store licensed under this Agreement and shall submit such adapted plans to Franchisor for review prior to submission of such plans to the landlord for its review and prior to submission of the plans to governmental authorities for permitting purposes. Franchisor will notify Franchisee of any objections to the plans within fifteen (15) days of receiving such plans. If Franchisor fails to notify Franchisee of an objection to the plans within such fifteen (15) day period, Franchisee may use the plans. If Franchisor objects to the plans, it shall provide Franchisee with a reasonably detailed list of the changes needed to make the plans consistent with System standards. Franchisor shall notify Franchisee within fifteen (15) days of receiving revised plans incorporating such changes, whether the revised plans are acceptable. If Franchisor fails to notify Franchisee of any objection within such fifteen (15) day period, Franchisee may use the revised plans. Franchisee acknowledges that Franchisor's review of such plans is only for purposes of determining compliance with System standards, and that acceptance of such plans by Franchisor does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor that such plans are accurate or free of error concerning their structural application. Franchisor shall not be responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor shall Franchisor be responsible for any errors, omissions, or discrepancies of any nature in the plans.
  - ii Franchisee shall promptly commence and diligently pursue construction of the Store. Commencement of construction is defined as the time at which any Site Work is initiated. During construction, Franchisee shall complete all exterior and interior preparations for the Store, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications approved by Franchisor. During construction, Franchisee shall provide

Franchisor with such periodic progress reports as Franchisor may reasonably request, including, but not limited to, digital photographs of the Store premises and the surrounding area. In addition, Franchisor may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. Franchisee shall notify Franchisor of the scheduled date for completion of construction no later than twenty-one (21) days prior to such date. Within a reasonable time after the date construction is completed, Franchisor shall, at its option, conduct an inspection of the completed Store. Additionally, within a reasonable time after the date construction is completed, Franchisee will provide to Franchisor copies of the final bills and invoices for architectural, construction, and signage costs incurred by Franchisee in connection with the build-out of the Store.

- G. Opening Date. Franchisee shall open the Store and commence business within three hundred sixty five days (365) days after the execution of this Agreement, unless Franchisee obtains a written extension of such time period from Franchisor, but Franchisee shall not open the Store for business without the written authorization of Franchisor, which authorization shall be conditioned upon Franchisee's strict compliance with this Agreement, including, but not limited to, those obligations described in Section 6 of this Agreement. If Franchisee fails to comply with any of its obligations under this Agreement, Franchisor shall have the right to prohibit Franchisee from opening. Franchisee's failure to open the Store in compliance with these provisions shall be deemed a material event of default under this Agreement.

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

- A. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date and will continue until ten (10) years from the Opening Date.
- B. Renewal. Franchisee may, at its option, renew its rights under this Agreement for two (2) additional consecutive terms of five (5) years each, subject to any or all of the following conditions which must, at Franchisor's option, be met prior to and at the time of renewal:
- i Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than nine (9) months before the end of the initial term and renewal term, as applicable;
  - ii Franchisee shall refurbish, repair or replace, at Franchisee's cost and expense, all equipment, electronic cash register systems, computer systems, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Store as Franchisor may reasonably require and shall otherwise upgrade the Store to reflect the then-current standards and image of the System;
  - iii Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto; neither Franchisee nor its affiliates shall be in default of any other agreement with Franchisor or any of its affiliates; and Franchisee and its affiliates shall have substantially and timely complied with the terms and conditions of such agreements during the respective terms thereof;
  - iv Franchisee shall have timely satisfied all monetary obligations owed to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates;
  - v Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the premises of the Store during the renewal term or obtain Franchisor's consent to a new site for the Store;

- vi Franchisee shall execute Franchisor's then-current form of renewal franchise agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and advertising contribution or expenditure requirement;
- vii Franchisee shall pay to Franchisor a renewal fee equal to one-half (1/2) of the then-current initial franchise fee.
- viii Franchisee and its Principals shall execute a general release of any and all claims against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and
- ix Franchisee shall comply with Franchisor's then-current qualification and training requirements.

#### **4. FEES**

- A. **Initial Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee, which shall be deemed fully earned and nonrefundable upon receipt by Franchisor, according to the following:
  - i If this Agreement is not executed contemporaneously with at least one (1) additional Socks & Bottoms Franchise Agreement, or if this Agreement is the first of at least two (2) or more Socks & Bottoms Franchise Agreements to be executed contemporaneously, Franchisee shall pay Franchisor an initial franchise fee of Forty-Six Thousand Dollars (\$46,000) upon the execution of this Agreement.
  - ii If this Agreement is the second (2nd) or subsequent Socks & Bottoms Franchise Agreement to be executed contemporaneously with at least one (1) additional Socks & Bottoms Franchise Agreement, Franchisee shall pay Franchisor an initial franchise fee of Forty-One Thousand Five-Hundred Dollars (\$41,500) upon the execution of this Agreement.
- B. **Royalty Fee.** During the term of this Agreement, Franchisee shall pay to Franchisor a continuing weekly royalty fee in an amount equal to six and one half percent (6.5%) of the Store's Gross Sales. Such royalty fee shall be due and payable each week based on the Store's Gross Sales for the immediately preceding week and shall be paid by Franchisee to Franchisor via electronic funds transfer, or any other means reasonably specified by Franchisor, so that it is received by Franchisor on or before Wednesday of the following week, provided such day is a Business Day. If the date on which a royalty payment would otherwise be due is not a Business Day, then payment shall be due on the next Business Day. For purposes of this Section 4.B., the Store's first week of operation shall begin on the Opening Date and shall end on the following Sunday and each subsequent week shall begin on Monday and conclude on the following Sunday. On or before Tuesday of each week, Franchisee shall provide a Gross Sales Report to Franchisor for Gross Sales accruing during the immediately preceding week. Notwithstanding the foregoing, if Franchisee is in default of this Agreement for failure to meet operational standards, we may, as an alternative remedy to termination, increase the royalty fee to ten

percent (10%) of Gross Sales and charge you an additional Two Hundred Fifty Dollars (\$250) each week until you rectify the deficiencies.

C. Past Due Amounts; Acceptance and Application of Payments.

- i In addition to the initial franchise fee and monthly royalty, Franchisee shall pay when due all other fees or amounts described in this Agreement. Time is of the essence for all payments to be made by Franchisee to Franchisor. Any payment not actually received by Franchisor on or before the due date shall be deemed overdue. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of eighteen (18%) percent per annum, or the maximum rate allowed by applicable law. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment. Franchisor may also charge Franchisee a late fee in the amount of One Hundred Dollars (\$100) for each late payment in addition to the interest payable pursuant to this Section 4.C(1).
- ii Acceptance by Franchisor of any payments due subsequent to the due date shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Principals of any terms, provisions, covenants or conditions of this Agreement.
- iii Franchisor shall have the right to apply any payment it receives from Franchisee to any amounts Franchisee owes Franchisor or its affiliates under this Agreement or any other agreement between them, even if Franchisee has designated the payment for another purpose or account. Franchisor may accept any check or payment in any amount from Franchisee without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be considered as an accord or satisfaction.
- iv Franchisee shall have no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement, and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Franchisee.

D. Electronic Funds Transfer. At Franchisor's request, Franchisee shall execute Attachment E to this Agreement and all other documents necessary to permit Franchisor to withdraw funds from Franchisee's designated bank account by electronic funds transfer ("EFT") in the amount of the royalty fee in Section 4.B., the advertising contribution described in Section 8.C., and any other amounts due under this Agreement at the time such amounts become due and payable under the terms of this Agreement. Any fee calculated by reference to Gross Sales shall be based on the information obtained by Franchisor pursuant to Section 11.B. of this Agreement or the Gross Sales Report. If the Gross Sales Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the subject month based on the most recent Gross Sales Report provided to Franchisor by Franchisee; provided, that if a Gross Sales Report for the subject month is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that it shall be responsible for that payment and any service charge. If any payments are not

received when due, interest may be charged in accordance with Section 4.C. Upon written notice to Franchisee, Franchisor may designate another method of payment.

## **5. FRANCHISOR'S OBLIGATIONS**

Franchisor agrees to provide, or cause the following services to be provided to Franchisee:

- A. Site Selection Assistance. Franchisor's written site selection guidelines and such site selection assistance as Franchisor deems advisable.
- B. On-Site Selection Evaluation. Such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site selection assistance; provided, that Franchisor shall not provide an on-site evaluation for any proposed site prior to receiving all required information and materials prepared and submitted pursuant to Section 2.B., above and, in Franchisor's discretion, prior to receiving such information for multiple proposed sites. Franchisor will provide up to one (1) on-site evaluations for the Store if this is the first (1<sup>st</sup>) Socks & Bottoms Store developed by Franchisee or its affiliate at no additional charge to Franchisee. If more than one (1) on-site evaluations are deemed appropriate by Franchisor, or are requested by Franchisee, for selecting a site for the first (1<sup>st</sup>) Socks & Bottoms Store developed by Franchisee or its affiliates, then Franchisor may require Franchisee to pay Franchisor a reasonable fee for performing each such additional site evaluation and to pay or reimburse Franchisor for the amount of the reasonable expenses, including, without limitation, the cost of travel, lodging, and meals, incurred by Franchisor in conducting such on-site evaluation(s). If this is the second (2<sup>nd</sup>) and subsequent Socks & Bottoms Store developed by Franchisee or its affiliates, Franchisor may require Franchisee to pay Franchisor a fee of \$1,000 for any on-site evaluation and to pay or reimburse Franchisor's reasonable expenses incurred in conducting any on-site evaluation(s).
- C. Prototype Plans. Access to a set of prototypical architectural and design plans and specifications for a Socks & Bottoms Store.
- D. Manuals. Beginning during the initial training program, access to one (1) set of the Manuals, either in paper or electronic form.
- E. Software Programs. For a reasonable fee, any Software Programs that Franchisor acquires or develops for use in the System; provided, that Franchisor is under no obligation to develop or acquire such Software Programs.
- F. Inspections. Inspections of the Store and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor.
- G. Advertising. Administration of a brand building fund in accordance with Section 8, as well as the provision of certain advertising and promotional materials developed by Franchisor from time to time for use in marketing and conducting advertising for System Stores.
- H. Operational Advice. Advice and written materials concerning techniques for managing and operating Socks & Bottoms Stores, including new developments and improvements in System equipment and System products.



- I. Approved Inventory List. Make selections for and publication of the Approved Inventory List.
- J. Approved Suppliers. From time to time as Franchisor deems appropriate a list of approved suppliers.
- K. Collateral Merchandise; Equipment. From time to time in Franchisor's discretion and at a reasonable cost, certain merchandise identifying the System, such as caps, t-shirts and other System memorabilia, in sufficient amounts to meet customer demand.
- L. Training. An initial training program for Franchisee's Operating Principal and Lead Manager (if applicable), and additional training programs in accordance with Section 7.M. With Franchisor's prior written consent and subject to its then-current certification procedures, Franchisor may authorize Franchisee to implement a training program for the employees of the Stores developed pursuant to this Agreement in accordance with Franchisor's then-current standards.
- M. Opening Assistance. Such on-site pre-opening and opening assistance as Franchisor reasonably deems necessary but in no event less than two (2) days of such assistance.
- N. Remedial Training. Upon Franchisee's reasonable request or if Franchisor shall determine it to be necessary during the term of this Agreement, on-site remedial training; provided, that remedial training shall be conducted subject to the availability of Franchisor's personnel, and provided further, that Franchisor may require Franchisee to pay the per diem fee then being charged for on-site remedial training, and pay or reimburse Franchisor for the expenses incurred by its representatives, including the costs of travel, lodging, meals, and wages.
- O. Franchisor's Obligations. Franchisee acknowledges that it is relying solely on Socks & Bottoms Franchising, LLC, and not on any affiliated entities or parent companies related to Socks & Bottoms Franchising, LLC, with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Socks & Bottoms Franchising, LLC, has made any statement or promise to the effect that any affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

## **6. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS**

- A. Disclosure and Franchisee's Investigation of this Franchise.
  - i Franchisee acknowledges having received a complete copy of this Agreement and all related attachments and exhibits and a complete copy of Franchisor's franchise disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law before Franchisee executed this Agreement or paid any consideration to Franchisor. Franchisee acknowledges that it did not rely on any promises, representations or agreements about the Socks & Bottoms System or the franchise not expressly contained in this Agreement or Franchisor's franchise disclosure document in making its decision to sign this Agreement. Franchisee acknowledges that Franchisor and its representatives have not made any promises, representations or agreements, oral or written, except as expressly contained in this Agreement and the franchise disclosure document. Franchisee further acknowledges that Franchisee has read this Agreement and Franchisor's franchise disclosure document and that Franchisee understands the terms of this Agreement and accepts them as being reasonably necessary for Franchisor to maintain the uniformity of Socks & Bottoms Stores and to protect the goodwill of the Marks and the integrity of the System.

- ii Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that an investment in a Socks & Bottoms Store involves business risks; that Franchisee's success is largely dependent on Franchisee's abilities and efforts; and that the nature of Socks & Bottoms Stores may change over time. **Franchisee has not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or success of the business contemplated by this Agreement.**
- iii Franchisee understands and agrees that Franchisor may operate and change the System and Franchisor's business in any manner that is not expressly and specifically prohibited by this Agreement. Without limitation of the foregoing, Franchisee acknowledges that the inventory and services to be offered by Franchisee at the Store may be supplemented, improved or otherwise modified from time to time by Franchisor.
- iv Whenever Franchisor has expressly reserved in this Agreement, or is deemed to have, a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including, without limitation, Franchisor's judgment of what is in the best interests of Franchisor's franchise network, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions could have been made by Franchisor; (ii) Franchisor's decision or the action Franchisor takes promotes its financial or other individual interest; (iii) Franchisor's decision or the action Franchisor takes applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of Franchisor's right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

B. Organization. If Franchisee is a corporation, partnership, limited liability company or other legal entity:

- i Franchisee is duly organized and validly existing under the laws of the state of its formation;
- ii Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;
- iii Franchisee's corporate charter or written partnership or limited liability company agreement shall at all times provide that the activities of Franchisee are confined exclusively to the operation of Socks & Bottoms Stores;
- iv The execution of this Agreement and the performance of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a partnership or a limited liability company, are permitted under Franchisee's written partnership or limited liability company agreement and have been duly authorized by Franchisee; and
- v Franchisee has provided to Franchisor prior to the execution of this Agreement, and will from time to time during the term of this Agreement at Franchisor's request provide to Franchisor,

copies of Franchisee's articles of incorporation and bylaws or, as applicable, Franchisee's written partnership or limited liability company agreement, other governing documents, any amendments to them, resolutions authorizing Franchisee's entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of Franchisee's stock or other ownership interests and any other documents that Franchisor may reasonably request.

C. Ownership.

- i If Franchisee is a corporation, partnership, limited liability company or other legal entity, the ownership interests in Franchisee are accurately and completely described in Attachment D. If Franchisee is a corporation, Franchisee shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee or, if Franchisee is a partnership, limited liability company or other form of legal entity, Franchisee shall maintain at all times a current list of all owners of an interest in the partnership, limited liability company or other entity. Franchisee shall make its list of owners available to Franchisor upon request.
- ii If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

D. Financial Matters.

- i Franchisee has provided Franchisor with the most recent financial statements of Franchisee. Such financial statements present fairly the financial position of Franchisee as of the dates indicated therein and the results of its operations and its cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements.
- ii The Principals that Franchisor designates shall jointly and severally guarantee the performance of Franchisee's obligations under this Agreement pursuant to the terms and conditions of the Principal's Guaranty and Assumption Agreement at Attachment A hereto, and shall otherwise bind themselves to the terms of this Agreement as stated herein.
- iii Franchisee shall provide Franchisor with any and all loan or other documents regarding the financing of its Store that Franchisor may request.
- iv Franchisee shall maintain at all times during the term of this Agreement sufficient working capital to fulfill its obligations under this Agreement.

E. Legal Compliance. In addition to complying with Franchisee's obligations under this Agreement, Franchisee agrees to comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time.

It is Franchisee's sole responsibility to apprise itself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement. Without limiting the foregoing, Franchisee certifies that neither Franchisee nor any of Franchisee's Principals, employees or anyone associated with Franchisee is listed in connection with any Anti-Terrorism Law (including, but not limited to, the Annex to Executive Order 13224 (The Annex is available at (<http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>), and Franchisee agrees not to hire or have any dealings with a person so listed. Franchisee further certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's Principals, employees, or anyone associated with Franchisee being so listed. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, Franchisee represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's Principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions it must take to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities as provided in this Agreement pertain to its obligations under this Section 6.E. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of its affiliates.

- F. Powers of Attorney. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact, with full power and authority to (i) assign to Franchisor upon the termination or expiration of this Agreement (a) all rights to the telephone numbers of the Store, any related Yellow Pages trademark listings, and all rights to any Website listings or services, search engines or systems, and any other business listings related to the Store and (b) at Franchisor's option, Franchisee's interest in any lease for the premises of the Store and any equipment used in the operation of the Store; and (ii) obtain any and all returns and reports related to the Store that Franchisee files with any local, state or federal taxing authority. Such powers of attorney shall survive the expiration or termination of this Agreement and Franchisee shall execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the foregoing purposes.
- G. No Competing Interests. Franchisee warrants and represents that neither Franchisee nor any of its affiliates or Principals own, operate or have any financial or beneficial interest in any business that is the same as or similar to a Socks & Bottoms Store (including, without limitation, any retail facility which primarily offers and sells socks, underwear, bras, related apparel and accessories).
- H. Continuing Obligations. Franchisee and Franchisee's Principals make the foregoing representations, warranties and covenants understanding that such representations, warranties and covenants are continuing obligations. Franchisee agrees to cooperate with Franchisor to verify Franchisee's and Franchisee's Principals' continuing compliance with such representations, warranties and covenants. Any failure to comply with these representations, warranties and covenants will constitute a material event of default under this Agreement.

## **7. STORE OPERATIONS**

- A. Standards Compliance. Franchisee acknowledges the importance of maintaining uniformity among all of the Socks & Bottoms Stores and the importance of complying with all of Franchisor's standards and specifications relating to the operation of the Socks & Bottoms Stores. To protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Franchisee shall conduct its business in accordance with the Manuals, other written directives which Franchisor

may issue to Franchisee from time to time, and any other manuals and materials created or approved for use in the operation of Socks & Bottoms Stores.

- B. Maintenance of Socks & Bottoms Store. Franchisee shall maintain the Socks & Bottoms Store in a high degree of sanitation and repair, and shall make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, décor, and equipment (including, but not limited to, point of sale or computer systems) as Franchisor may reasonably direct. Franchisee also shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which Franchisor may reasonably require for Franchisee to offer and sell new services or products from Socks & Bottoms or to provide such services or products by alternative means. Except as may be expressly provided in the Manuals, no alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Store without Franchisor's prior written approval.
- C. Upgrade of Store. Upon Franchisor's request, Franchisee shall make such improvements to the Store to conform it to Franchisor's then-current standards and specifications. Without limitation of the foregoing, Franchisee agrees that it will make any capital improvements required by this Section 7.C. if requested by Franchisor on or after the third (3rd) anniversary of the Opening Date, or at such other time during the term of this Agreement that a majority of the Socks & Bottoms Stores then operated by Franchisor or its affiliates have made or are utilizing best efforts to make such improvements.
- D. Sourcing. Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of all inventory, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Store. If Franchisor has approved suppliers for any such item (including manufacturers, distributors and other sources), Franchisee must obtain these items from those suppliers. Franchisor's approved suppliers are those who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications for inventory, fixtures, furnishings, equipment and other items used or offered for sale at Socks & Bottoms Stores and who possess adequate quality controls and capacity to supply Franchisee's needs and distribute promptly and reliably over an extended period of time; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier and who have not thereafter been disapproved by Franchisor. Franchisee acknowledges and agrees that (i) Franchisor may change the number of approved suppliers or distributors at any time and may designate itself, an affiliate, or a third party as the exclusive source for any or all items, including all inventory items; and (ii) Franchisor may profit from Franchisee's purchases from approved suppliers or distributors, and Franchisor and/or its affiliates may receive payments, fees, commissions or reimbursements from such suppliers or distributors in respect of Franchisee's purchases. If Franchisee desires to purchase, lease or use any products, services or other items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge, not to exceed the cost of the inspection and of the test (including Franchisor's administrative costs attributable to both), shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require

Franchisor to approve any particular supplier. Franchisee's failure to comply with the provisions of this Section 7.D. shall be deemed a material breach under this Agreement.

E. Inventory.

- i Franchisor will provide Franchisee with an Approved Inventory List containing the inventory items (including the brand and model of each item) approved by Franchisor for sale in Socks & Bottoms Stores. Franchisee must stock in the Store all items contained in the Approved Inventory List. Franchisor will update the Approved Inventory List periodically and provide Franchisee with the updated list. Franchisor will, in its discretion, determine the brands and models of socks, underwear, bras, relate apparel and accessories included on the Approved Inventory List. Franchisor may also require Franchisee to maintain certain percentages of particular brand(s) or model(s) as part of the inventory that is displayed in the Store. Franchisor will provide Franchisee with written advice and recommendations with respect to inventory orders, but subject to the foregoing, Franchisee shall be solely responsible for determining the quantity, colors and styles of the items ordered for the Store. Franchisee must submit its inventory orders at such times and in the manner as may be established or required by Franchisor in the Manual or other written directives, including without limitation, requiring Franchisee to use and submit its orders directly to certain approved suppliers in accordance with Section 7.D. of this Agreement. Franchisee shall promptly pay the invoices with respect to all inventory in accordance with their terms. Franchisee shall establish its own credit and payment arrangements with suppliers. Franchisee acknowledges that the terms of any credit and payment arrangement will depend on various factors, including Franchisee's credit history, and that such terms may differ from the terms that Franchisor or its affiliates may have with suppliers for company owned Socks & Bottoms Stores. Franchisor does not guarantee the availability of any of the items on the Approved Inventory List.
- ii All inventory shall be displayed, sold and delivered according to the specifications contained in the Manual or as otherwise directed by Franchisor. Franchisee shall make no sales of inventory or services outside of the premises of Franchisee's Store unless Franchisor otherwise consents in writing.
- iii If Franchisee desires to offer any other brand or inventory items not on the Approved Inventory List, Franchisee shall submit to Franchisor a written request for approval in writing. Franchisor's approval of such items may be granted or withheld in Franchisor's sole discretion.

F. Operational Requirements. Franchisee shall operate the Store in full conformity with Franchisor's methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee agrees:

- i To sell or offer for sale all inventory items, products and services required by Franchisor utilizing the method, manner and style of distribution prescribed by Franchisor.
- ii To sell and offer for sale only the inventory items, products and services that have been expressly approved for sale in writing by Franchisor; to discontinue selling and offering for sale any inventory items, products or services and any method, manner or style of distribution which Franchisor may, in its sole discretion, disapprove in writing at any time; and to refrain from deviating from Franchisor's standards and specifications without Franchisor's prior written consent.
- iii To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including computer systems), decor items, signs, and related items that Franchisor may

reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Store premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor items, signs, video or other games, vending machines or other items not previously approved as meeting Franchisor's standards and specifications, as set forth in the Manuals.

- iv To grant Franchisor and its agents the right to enter the Store for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct promptly any deficiencies detected during an inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time, as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so taking the corrective action (including, without limitation, any necessary reinspection). Any such fee is payable by Franchisee immediately upon demand.
- v To maintain a competent, courteous, conscientious, sales-oriented trained staff and to take any and all steps as are necessary to ensure that its employees preserve good customer relations and comply with any dress code Franchisor may prescribe.

G. Computer Systems. Franchisee agrees to use the Computer System that Franchisor specifies from time to time for use in the operation of the Store. Franchisee acknowledges that Franchisor may modify the specifications and the components of any such Computer System from time to time. As part of the Computer System, Franchisor may require Franchisee to obtain specified computer hardware and/or software, including, without limitation, a license to use Software Programs developed by Franchisor or others. Changes to the Computer System specifications may require Franchisee to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System during the term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the future costs of the Computer System (or additions or modifications thereto) and that the cost to Franchisee of obtaining the Computer System (including software licenses) or additions or modification thereto may not be fully amortizable over the remaining term of this Agreement. Nonetheless, Franchisee agrees to incur such costs. Within sixty (60) days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain the components of the Computer System that Franchisor requires. Franchisee further acknowledges and agrees that Franchisor has the right to charge a reasonable systems fee for any software or systems modifications and enhancements specifically made for Franchisor that are licensed to Franchisee and other maintenance and support services that Franchisor or its affiliate may furnish to Franchisee.

H. Internet Website. Franchisee agrees to install and maintain all hardware and software needed to access the Internet at the bit speed Franchisor requires from time to time. Franchisee further agrees that Franchisee will not establish any website or other listing on the Internet except as provided herein and will not use any of the Marks as part of any domain name, web address, or e-mail address.

- i Without Franchisor's prior written approval, which Franchisor may give or withhold in Franchisor's sole discretion, Franchisee may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, bulletin boards, social networking sites (e.g., Facebook), and news groups) in connection with the Store. If Franchisor grants approval for Franchisee's use of an Internet website, Franchisee acknowledges that the form, content and appearance of any Internet website Franchisee uses must comply with the System standards and must be approved by Franchisor in writing before being used. Accordingly, Franchisee agrees that Franchisee has no authority to, and Franchisee will not, establish any website that creates any association with the Marks or the System, or

post any advertisements or material on the Internet that depict or display the Marks or suggest an association with the System, without Franchisor's express prior written consent. Without limitation of the foregoing, if Franchisor requires, any Internet website created by or for Franchisee must contain a hypertext link to Franchisor's Internet website in the form Franchisor requires, and no other hypertext links to third party Internet websites unless previously approved in writing by Franchisor. Notwithstanding Franchisor's approval of a website, Franchisor reserves the right to revoke Franchisor's approval at any time that the website fails to continue to meet Franchisor's standards, and Franchisee agrees that upon such revocation, Franchisee will immediately discontinue use of the website.

- ii Franchisee agrees that Franchisee has no authority to, and Franchisee will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation or visual variation of the Marks) or the System without Franchisor's express prior written consent. Franchisee must obtain Franchisor's written approval for Franchisee's domain name prior to use. Franchisee's domain name must be registered in Franchisor's name and licensed to Franchisee by Franchisor. On termination or expiration of this Agreement, the license of the domain name to Franchisee will automatically terminate and Franchisee agrees to undertake all such actions that Franchisor requires to disassociate itself with the domain name.
  - iii Franchisor has an Internet website that provides information about the System and the products and services offered by Socks & Bottoms Stores. Franchisor has sole discretion and control over the website, including timing, design, contents and continuation. Franchisor may include on the website interior pages containing information about Franchisor's franchisees' Socks & Bottoms Stores and may require Franchisee to prepare all or a portion of the page for Franchisee's Store, at Franchisee's expense, using a template that Franchisor provides, with all such information subject to Franchisor's approval prior to posting. Franchisor may use Brand Building Fund monies to establish and maintain the websites.
  - iv Franchisor also has the sole right (but no obligation) to develop an Intranet through which Franchisor and Franchisor's franchisees can communicate by e-mail or similar electronic means. If Franchisor develops an Intranet, Franchisee agrees to participate in strict compliance with Franchisor's standards, protocols and restrictions, including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Franchisor may, in Franchisor's sole discretion, charge a reasonable fee for Intranet usage, which Franchisee agrees to pay in accordance with Franchisor's invoice.
- I. Customer Complaints. Franchisee shall process and handle all consumer complaints connected with or relating to the Store, and shall promptly notify Franchisor of all: (i) safety or health violations, (ii) claims exceeding One Thousand Dollars (\$1,000), and (iii) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Store during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.
- J. Vehicles. Any vehicle used by Franchisee in connection with the operation of the Store shall meet Franchisor's image and other standards. Franchisee shall place such signs and decor items on the vehicle as Franchisor requires and shall at all times keep the vehicle clean and in good working order. Franchisee shall not permit anyone to operate a vehicle used in connection with the Store who is under the age of eighteen (18) years or who does not possess a valid driver's license issued by the state in which the Store is located. Franchisee shall require each person who operates a vehicle used in connection with Store operations to comply with all applicable laws, regulations and rules of the road



and to use due care and caution in the operation and maintenance of the vehicles. Except as stated herein, Franchisor does not exercise any control over any motor vehicle used by Franchisee.

K. Operating Principal; Lead Manager. Upon the execution of this Agreement, Franchisee shall designate, and shall retain at all times during the term of this Agreement, an individual to serve as Franchisee's Operating Principal. If Franchisee is an individual, Franchisee shall perform all obligations of the Operating Principal. The Operating Principal for all Socks & Bottoms Stores operated by Franchisee and, if applicable, Franchisee's affiliates, shall be the same person.

- i The Operating Principal shall maintain a direct or indirect ownership interest of not less than ten percent (10%) in Franchisee. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Franchisee shall be and remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options. The Operating Principal shall execute this Agreement as a Principal, and shall be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal and a Principal hereunder.
- ii Notwithstanding Section 7.K.(1), Franchisee may, at its option and subject to Franchisor's written consent, designate a Lead Manager to supervise the operation of Franchisee's Socks & Bottoms Store; provided, that (i) the Lead Manager for all Socks & Bottoms Stores operated by Franchisee and, if applicable, Franchisee's affiliates, shall be the same person, and (ii) Franchisee and its Operating Principal shall remain fully responsible for Lead Manager's performance. The Lead Manager shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete attached as Attachment B to this Agreement.
- iii Unless a Lead Manager is designated pursuant to Section 7.K.(2), Franchisee's Operating Principal shall devote full time and best efforts to the supervision of the Socks & Bottoms Stores operated by Franchisee and, if applicable, Franchisee's affiliates, and, without Franchisor's written consent, shall not engage in any other business. The foregoing provision shall not apply if a Lead Manager is designated, provided, the Lead Manager shall devote his or her full time and best efforts to the supervision and operation of the Socks & Bottoms Store business conducted by Franchisee and, if applicable, Franchisee's affiliates.
- iv The Operating Principal and any Lead Manager shall meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing and, without limitation, shall be empowered with full authority to act for and on behalf of Franchisee.

Franchisee must promptly notify Franchisor if the Operating Principal cannot continue to serve in that capacity or no longer qualifies as such, and must take corrective action within thirty (30) days thereafter. During such thirty (30) day period, Franchisee must provide for interim management of its operations in accordance with this Agreement. Any failure to comply with this Section 7.K. will be a material breach of this Agreement.

L. Store Managers. Not later than forty-five (45) days before the Opening Date, Franchisee shall designate, and shall retain at all times during the term of this Agreement the number of Store Managers necessary to direct the day-to-day operation and management of the Store. One (1) of the Store Managers may, but need not, be the Operating Principal or Lead Manager; provided that any Operating Principal or Lead Manager that also serves as a Store Manager, may only serve as a Store Manager for one (1) Socks & Bottoms Store. The Store Managers shall:

- i Meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing; and

- ii Devote full time and best efforts to the day-to-day operation and management of the Store and shall not engage in any other business activity without Franchisor's prior written consent.
- M. Training. Franchisee's Operating Principal and, if applicable, Lead Manager shall successfully complete Franchisor's management training program prior to the Opening Date. Any successor or replacement Operating Principal or Lead Manager shall successfully complete Franchisor's management training program within a reasonable time after such persons are designated. Such persons, and any other personnel of Franchisee whom Franchisor may designate, shall attend and complete any additional training that Franchisor may from time to time require. Training shall be conducted at locations designated by Franchisor.
  - i Initial management training for Franchisee's Operating Principal and Lead Manager is provided at no additional charge; however, Franchisor reserves the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs. Franchisee shall be responsible for any and all expenses incurred in connection with any initial or additional training, including, without limitation, the costs of travel, lodging, meals and wages incurred by Franchisee, its Operating Principal or Lead Manager.
  - ii If any Operating Principal or Lead Manager fails, in Franchisor's sole judgment, to satisfactorily complete Franchisor's management training program, and Franchisee fails to cure such default within forty-five (45) days following written notice from Franchisor, Franchisor may terminate this Agreement.
- N. Days and Hours of Operation. Franchisee must open and operate the Store during the days and hours Franchisor specifies in the Manual or otherwise in writing.
- O. Pricing. To the fullest extent permitted by applicable law, Franchisor reserves the right to establish maximum, minimum or other pricing requirements with respect to the prices Franchisee may charge for products or services.

## **8. ADVERTISING AND RELATED FEES**

- A. Promotional Programs.
  - i Franchisee shall participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention programs that Franchisor implements for all or part of the Socks & Bottoms franchise system and shall sign the forms and take the other action that Franchisor requires in order for Franchisee to participate in such programs.
  - ii Franchisor may, from time to time, in its sole discretion, develop and administer advertising and sales promotion programs designed to promote all Socks & Bottoms Stores operating under the System or those Socks & Bottoms Stores operating in a certain region. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor. The standards and specifications established by Franchisor for such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, shall be final and binding upon Franchisee.

- B. Local Advertising. Franchisor recommends, but does not require, Franchisee to spend at least two percent (2%) of the Store's Gross Sales on local advertising throughout the term of this Agreement.
- C. Brand Building Fund. Franchisor has established a Brand Building Fund for the System. Throughout the term of this Agreement, Franchisee must contribute up to two percent (2%) of the Store's Gross Sales to the Brand Building Fund. Initially, Franchisee shall contribute one half percent (.5%) of the Store's Gross Sales to the Brand Building Fund. Franchisor may increase Franchisee's required contribution amount from time to time in its sole discretion upon 30 days' prior notice to Franchisee; provided, however, that Franchisee will not be required to contribute more than two percent (2%) of the Store's Gross Sales to the Brand Building Fund. Such contributions shall be paid via EFT at the time and in the manner that royalty payments are due under Sections 4.B. and 4.D. Franchisor or its designee will administer the Fund as follows:
- i Franchisor will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation thereof. Franchisee agrees that the Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website; and supporting public relations, endorsement arrangements, market research and other advertising, promotion and marketing activities.
  - ii The Fund will be accounted for separately from Franchisor's other funds and will not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as Franchisor may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion and marketing materials; and collecting and accounting for contributions to the Fund. Franchisor may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Socks & Bottoms Stores to the Fund in that year, and the Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. Franchisor will prepare an annual statement of monies collected and costs incurred by the Fund and furnish the statement to Franchisee upon written request. Franchisor has the right to cause the Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such successor entity will have all of the rights and duties specified herein.
  - iii Franchisee acknowledges that the Fund is intended to maximize recognition of the Marks and patronage of Socks & Bottoms Stores. Although Franchisor will endeavor to utilize the Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Socks & Bottoms Stores, Franchisor undertakes no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Socks & Bottoms Stores operating in that geographic area or that any Socks & Bottoms Store will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Franchisor may use a portion of the monies contained in the Fund to establish regional marketing funds and/or to establish and maintain a website for Socks & Bottoms Stores. Except as expressly provided in this Section, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to collecting amounts due to, or maintaining, directing or administering, the Fund.

- iv Franchisor reserves the right, upon thirty (30) days' prior written notice to Franchisee, to defer, reduce or suspend contributions to (and, if suspended, deferred or reduced, to reinstate such contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund in proportion to their respective contributions to the Fund during the preceding twelve (12) month period.
- D. Grand Opening. Franchisee shall carry out a grand opening promotion for the Store in accordance with Franchisor's standards, including, without limitation, those related to the type and size of the grand opening promotion. Franchisor must approve all advertising items, methods and media Franchisee uses in connection with such grand opening promotion in accordance with Section 8.E. Franchisee shall submit one or more expenditure reports to Franchisor, accurately reflecting Franchisee's grand opening expenditures. Amounts paid for the initial grand opening promotion will not be credited toward any other obligation of Franchisee under this Section 8.
- E. Advertising Approvals. All advertising and promotion by Franchisee in any medium shall be conducted in a dignified manner and shall conform to Franchisor's standards and specifications. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials, including, without limitation, those placed on the Internet pursuant to Section 7.H., prior to use if such plans and materials have not been prepared or previously approved by Franchisor during the twelve (12) month period immediately preceding their proposed use. Franchisee shall submit any unapproved plans and materials to Franchisor, and Franchisor shall approve or disapprove such plans and materials within twenty (20) days after receiving them. If Franchisor does not respond to Franchisee's request for approval within such twenty (20)-day period, the materials or plans shall be deemed approved by Franchisor. Franchisee shall not use any unapproved plans or materials until they have been approved or deemed approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved or deemed approved, upon notice from Franchisor.

## 9. MARKS

- A. Right to Use the Marks. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with this Agreement and Franchisor's standards and specifications.
- B. Agreements Regarding the Marks. Franchisee expressly acknowledges that:
- i As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.
  - ii Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the rights of Franchisor or its affiliates in and to the Marks. Nothing in this Agreement shall give Franchisee any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.
  - iii Any and all goodwill arising from Franchisee's use of the Marks shall inure solely and exclusively to the benefit of Franchisor or its affiliates, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be attributable to any goodwill associated with Franchisee's use of the Marks.
  - iv Franchisee shall not contest, or assist others to contest, the validity, or the interest, of Franchisor or its affiliates in the Marks.

- v Any unauthorized use of the Marks shall constitute an infringement of Franchisor's or its affiliates' rights in the Marks and a material event of default under this Agreement. Franchisee shall provide Franchisor with all assignments, affidavits, documents, information and assistance related to the Marks that Franchisor or its affiliates reasonably request, including all such instruments necessary to register, maintain, enforce and fully vest the rights of Franchisor or its affiliates in the Marks.
- vi Franchisor shall have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Socks & Bottoms Stores operating under the System if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute marks.
- vii Franchisee shall, in its business cards, use the Marks only in obvious conjunction with the words, "An Independent Socks & Bottoms Store Franchisee."

**C. Use of the Marks. Franchisee further agrees that Franchisee shall:**

- i Operate and advertise the Store only under the name "Socks & Bottoms," without prefix or suffix, unless otherwise authorized or required by Franchisor. Franchisee shall not use the Marks as part of its corporate or other legal name.
- ii Identify itself as the owner of the Store in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and shall display a notice in such content and form and at such conspicuous locations on the premises of the Store or on any vehicle used in the operation of the Store as Franchisor may designate in writing.
- iii Not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.
- iv Comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.
- v Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor or the System as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to the content of such e-mail advertisements or solicitations as well as Franchisee's plan for transmitting such advertisements. In addition, Franchisee shall be solely responsible for compliance with any laws pertaining to sending e-mails including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act of 2003").

- D. **Infringement.** Franchisee shall notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark and of any claim by any person of any rights in any Mark. Franchisee and the Principals shall not communicate with any person other than Franchisor, its affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge or claim. Franchisor shall have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other

proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any affiliate in the Marks.

## **10. CONFIDENTIALITY AND NONCOMPETITION COVENANTS**

- A. Manuals. The Manuals shall be provided to Franchisee in either paper or electronic form. The Manuals are Franchisor's property and any print copies (if permitted or made available by Franchisor) shall be returned to Franchisor when this Agreement expires or is terminated for any reason. Franchisee and the Principals shall at all times treat the Manuals, and the information contained therein, as confidential and shall maintain such information as secret and confidential in accordance with this Section 10. Franchisee and the Principals shall not at any time copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. Franchisee shall make the Manuals available only to those of Franchisee's employees who must have access to them in order to operate the Store. Franchisee shall, at all times, keep and maintain any print copies of the Manuals (permitted or made available by Franchisor) in a secure place at the Store. Franchisor has the right to add to or modify the Manuals from time to time to, among other reasons, change operating procedures, maintain the goodwill associated with the Marks, and enable the System to remain competitive. Franchisee shall comply with the terms of all additions and modifications to the Manuals and shall keep the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy at Franchisor's offices shall control. The entire contents of the Manuals, and Franchisor's mandatory specifications, procedures and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein.
- B. Nondisclosure of Confidential Information. Franchisor will disclose to Franchisee those parts of Franchisor's Confidential Information Franchisor deems necessary or advisable from time to time for the establishment and operation of the Store. Franchisee agrees that Franchisee and Franchisee's Principals will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to Franchisee in operating the Store during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. Franchisee agrees to disclose the Confidential Information to Franchisee's Principals and employees only to the extent reasonably necessary for the operation of the Store pursuant to this Agreement. Franchisor's Confidential Information is proprietary, includes trade secrets owned by Franchisor and its affiliates, and is disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee does hereby agree, that Franchisee: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information; and (iv) will adopt and implement all reasonable procedures that Franchisor prescribes from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Store personnel and others. These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Principals.
- C. Noncompetition Covenants. Franchisee and the Principals specifically acknowledge that, pursuant to this Agreement, they will receive access to valuable training, trade secrets and Confidential Information which are beyond their present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. Franchisee and the Principals further acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage, and that gaining access thereto is a primary

reason for entering into this Agreement. In consideration therefor, Franchisee and the Principals covenant as follows:

- i With respect to Franchisee, during the term of this Agreement (or with respect to each of the Principals, for so long as such person satisfies the definition of “Principal” under this Agreement), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Principals shall, directly or indirectly, for themselves or through, on behalf of or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other entity or association:
  - 1 Directly or indirectly divert, or attempt to divert, any business or customer of the franchised business to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.
  - 2 Except with respect to Socks & Bottoms Stores operated under valid agreements with Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business that is the same as or similar to a Socks & Bottoms Store (including, without limitation, any retail facility which primarily offers or sells socks, underwear, bras, related apparel and accessories) and which is located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the Marks or similar marks or operates or licenses others to operate a business under the Marks or similar marks.
- ii With respect to Franchisee, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of Franchisee’s interest in, this Agreement (or, with respect to each of the Principals, commencing upon the earlier of (i) the expiration or termination of, or transfer of all of Franchisee’s interest in, this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of “Principal” under this Agreement) and continuing for two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee, nor any of the Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any other person, persons, partnership, corporation, limited liability company or other entity or association:
  - 1 Directly or indirectly divert, or attempt to divert, any business or customer of the franchised business to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.
  - 2 Except with respect to Socks & Bottoms Stores operated under valid agreements with Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business that is the same as or similar to a Socks & Bottoms Store (including, without limitation, any retail facility which primarily offers socks, underwear, bras, related apparel, and accessories) and which is, or is intended to be, located (i) at the Location, (ii) within the Protected Area, or (iii) within a five (5)-mile radius of the location of any Socks & Bottoms Store then in existence or under construction.
- iii Franchisee agrees that each of the foregoing covenants contain 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 Franchisor’s other business interests. Each covenant shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10.C. is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and Franchisee’s Principals expressly agree to be bound by

any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.C.

- 1 Franchisee and Franchisee's Principals acknowledge that Franchisor will have the right, in Franchisor's sole discretion, to reduce the scope of any covenant set forth in this Section 10.C. without Franchisee's or Franchisee's Principals' consent, effective immediately upon notice to Franchisee; and Franchisee and Franchisee's Principals agree to promptly comply with any covenant as modified.
- 2 Franchisee and Franchisee's Principals expressly agree that the existence of any claims Franchisee or they may have against Franchisor, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 10.C.

- D. Improvements. If Franchisee, Franchisee's employees, or Principals develop any new concept, process or improvement in the operation or promotion of a Socks & Bottoms Store (an "Improvement"), Franchisee agrees to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all related patents, patent applications, and other intellectual property rights. Franchisee and Franchisee's Principals hereby assign to Franchisor any rights Franchisee or they may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's Principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and Franchisee's Principals hereby irrevocably designate and appoint Franchisor as Franchisee's and their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 10.D. are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's Principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's or their rights therein.
- E. Injunctive Relief. Franchisee and Franchisee's Principals acknowledge that any failure to comply with the requirements of this Article 10. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Franchisee and Franchisee's Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee or Franchisee's Principals in violation of the terms of this Article 10., without the requirement that Franchisor post a bond. Franchisee and Franchisee's Principals agree to pay all court costs and reasonable attorneys' fees and costs that Franchisor incurs in connection with the enforcement of this Article 10., including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of this Article, or any part of it.
- F. Execution of Covenants by Franchisee's Principals and Management. Franchisee agrees to require and obtain the execution of covenants similar to those set forth in Sections 10.B. and C. from all of Franchisee's Principals not signing the Principals' Guaranty and Assumption Agreement, from all Lead Managers, and, at Franchisor's request, any Store Managers or other of Franchisee's personnel. These covenants must be substantially in the form set forth in Attachment B; however, Franchisor reserves the right, in Franchisor's sole discretion, to decrease the scope of the noncompetition covenant set forth



in Attachment B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement.

## **11. BOOKS AND RECORDS**

- A. **Maintenance Requirement.** Franchisee shall maintain during the term of this Agreement, in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals, and shall preserve for at least five (5) years from the date of preparation, full, complete and accurate books, records and accounts of the Store, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers.
- B. **Reporting.** In addition to the remittance reports required by Sections 4 and 8 hereof, Franchisee shall comply with the following reporting obligations:
- i Franchisee shall, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, Franchisee's monthly and quarterly balance sheets and profit and loss statements (which may be unaudited) within ten (10) days after the end of each month and quarter, as applicable, during the term hereof. Each such statement shall be signed by Franchisee's treasurer, chief financial officer or comparable officer attesting that it is true, complete and correct.
  - ii Franchisee shall, at its expense, submit to Franchisor, within ninety (90) days after the end of each fiscal year, Franchisee's complete annual financial statement (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance with generally accepted accounting principles by an independent certified public accountant satisfactory to Franchisor and showing the results of Franchisee's operations of Franchisee during such fiscal year. All such unaudited annual financial statements shall be signed by Franchisee's treasurer, chief financial officer or comparable officer attesting that they are true, complete and correct. Franchisor has the right to request, for any reason, financial statements that have been audited by an independent certified public accountant.
  - iii Franchisee shall, at its expense, submit to Franchisor (i) copies of Franchisee's federal income tax returns (including any extension requests) not later than five (5) days after filing and (ii) copies of Franchisee's state sales tax returns within five (5) days after the end of each calendar quarter. If the Store is in a state which does not impose a sales tax, Franchisee shall submit a copy of its state income tax return (including any extension requests) not later than five (5) days after filing.
  - iv Franchisee also shall submit to Franchisor such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor.
- C. **Audits.** Franchisor or its designees shall have the right at all reasonable times to review, audit, examine and copy the books and records of Franchisee at the Store. If any required royalty or other required payments to Franchisor are delinquent, or if an audit should reveal that such payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with Section 4.C. If an audit discloses an understatement in any report of three percent (3%) or more, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected with the audit (including, without

limitation, reasonable accounting and attorneys' fees and costs). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

- D. No Waiver. Franchisor's receipt or acceptance of any of the statements furnished or amounts paid to Franchisor (or the cashing of any check or processing of any electronic fund transfer) shall not preclude Franchisor from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, Franchisee shall immediately correct the error and make the appropriate payment to Franchisor.
- E. Authorization to Release Information. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Store which Franchisor may request. Franchisee authorizes Franchisor to disclose data from Franchisee's reports if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

## 12. INSURANCE

- A. Insurance Coverage Requirements. Not later than sixty (60) days prior to the Opening Date, Franchisee shall procure and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor, its affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring at or in connection with the operation of the Store. Such policy or policies shall be written by a responsible carrier or carriers rated "A" or better by the A.M. Best Company, Inc. and otherwise reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time in writing), the following:
- i Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of One Million Dollars (\$1,000,000) combined single limit per occurrence, Two Million Dollars (\$2,000,000) general aggregate.
  - ii "All Risks" coverage for the full cost of replacement of the Store premises and all other property in which Franchisor may have an interest with agreed amount endorsement for the premises naming Franchisor as a loss payee.
  - iii Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than One Million Dollars (\$1,000,000) combined single limit.
  - iv An "umbrella" policy providing excess coverage with limits of not less than One Million Dollars (\$1,000,000) which must be excess to the general liability and automobile liability coverage required herein.
  - v Business interruption insurance covering at least twelve (12) months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance referred to in (1) and (2) above and Franchisee's royalty and Brand Building Fund contribution calculated on the basis of the Gross Sales used as the basis for calculation of the

business interruption insurance award. Such business interruption insurance shall be written on an all risks form, either as an endorsement to the policies described in (1) and (2) above or on a separate policy.

- vi Worker's compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to Franchisor, provided that Franchisee (i) maintains an excess indemnity or "umbrella" policy covering employer's liability and/or a medical/disability policy covering medical expenses for on-the-job accidents, which policy or policies shall be written by a responsible carrier meeting the requirements set forth above and which shall contain such coverage amounts as Franchisee and Franchisor shall mutually agree upon and (ii) conducts and maintains a risk management and safety program for its employees as the Franchisee and Franchisor shall mutually agree is appropriate. Such policies shall also include a waiver of subrogation in favor of Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them.
  - vii Such other insurance as may be required by the landlord of the premises at, and by the state or locality in, which the Store is located.
- B. Deductibles; Waiver of Subrogation. Franchisee may elect to have reasonable deductibles in connection with the coverage required under Sections 12.A(1)-(7) hereof. Such policies shall also include a waiver of subrogation in favor of Franchisor, its affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.
- C. Builder's Risk Insurance. In connection with any construction, renovation, refurbishment or remodeling of the Store, Franchisee shall maintain Builder's Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.
- D. No Limitation of Other Obligations. Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 15 of this Agreement.
- E. Additional Insured Designation. All insurance policies required hereunder, with the exception of workers' compensation, shall name Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall expressly provide that their interest shall not be affected by Franchisee's breach of any policy provisions. All public liability and property damage policies shall contain a provision that Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.
- F. Certificates of Insurance. Upon execution of this Agreement, and thereafter thirty (30) days prior to the expiration of any policy required hereunder, Franchisee shall deliver to Franchisor certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder

shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

- G. Remedies. Should Franchisee fail to procure or maintain the insurance required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) to procure such insurance and to charge the cost of such insurance to Franchisee, together with a fee of \$100 for Franchisor's expenses in so acting. Such amounts shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

### **13. DEBTS AND TAXES**

- A. Payment of Taxes and Other Obligations. Franchisee shall promptly pay when due all Taxes, levied or assessed and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the franchised business. Without limiting the provisions of Section 15, Franchisee shall be solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed.
- B. No Deduction. Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes.
- C. Disputed Liability. In the event of any bona fide dispute as to Franchisee's liability for Taxes or other indebtedness, Franchisee may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the assets of the franchised business or any improvements thereon.
- D. Credit Standing. Franchisee recognizes that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by Franchisee in good faith, Franchisee agrees to promptly pay when due all amounts owed by Franchisee to Franchisor, its affiliates, and other suppliers.
- E. Notice of Adverse Orders. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

### **14. TRANSFER**

- A. By Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Franchisee's consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all Franchisor's obligations arising hereunder subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.
- B. By Franchisee and Principals. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Principals. Accordingly, neither Franchisee nor any Principal, nor any successor or assign of

Franchisee or any Principal, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Store or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach under this Agreement. If Franchisee wishes to transfer all or part of its interest in the Store or this Agreement, or if Franchisee or a Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Store or in this Agreement but may require any or all of the following as conditions of its consent:

- i All accrued monetary obligations of Franchisee and its affiliates to Franchisor and its affiliates arising under this Agreement, or any other agreement, shall have been satisfied in a timely manner, and Franchisee shall have satisfied all trade accounts and other debts of whatever nature or kind;
- ii Franchisee and its affiliates shall not be in default of this Agreement, or any other agreement with Franchisor or its affiliates, and shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms;
- iii The transferor and its principals, if applicable, shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims, against Franchisor and its affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with Franchisor or its affiliates, and under federal, state or local laws, rules, and regulations or orders;
- iv The transferee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's then-current qualifications, and, at the transferee's expense, its operating principal, lead manager, and any other personnel required by Franchisor shall complete any training programs then in effect for Socks & Bottoms Stores upon such terms and conditions as Franchisor may reasonably require;
- v The transferee shall, at its expense and within the time period reasonably required by Franchisor, renovate, modernize and otherwise upgrade the Store and, if applicable, any Store vehicles to conform to the then-current System image, standards and specifications;
- vi The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several, liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of Franchisee under this Agreement. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;
- vii The transferee shall execute Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, including higher fees, but the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;

- viii The transferor shall remain liable for all of its obligations to Franchisor under this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;
  - ix Franchisee shall pay Franchisor a transfer fee in an amount equal to one-half (1/2) of the then-current initial franchise fee that Franchisor generally charges to new Socks & Bottoms franchisees;
  - x The Store shall be open for business and operating at the time of the transfer;
  - xi If transferee is a corporation, partnership, limited liability company or other entity, the transferee shall make all of the representations, warranties and covenants in Section 6 as Franchisor may request, and shall provide evidence satisfactory to Franchisor that such representations, warranties and covenants are true and correct as of the date of the transfer; and
  - xii If the transfer relates to the grant a security interest in any of Franchisee's assets, Franchisor may require the secured party to agree that, in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee.
- C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 14.B., except that Sections 14.B. (4), (5), and (7) shall not apply and the transfer fee under Section 14.B.(9) shall be an amount equal to the costs and expenses (including attorneys' fees) that Franchisor incurs in reviewing and documenting the transfer. In any transfer for the convenience of ownership, Franchisee shall be the owner of all the voting stock or ownership interests in the new entity, or, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in Franchisee prior to the transfer.
- D. Right of First Refusal. If Franchisee or a Principal wishes to transfer any interest in this Agreement, the Store, or Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of the offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of Franchisor's notice to seller of its election to purchase and the date Franchisor receives all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, Franchisor may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If Franchisor exercises its right of first refusal, it shall have the right to set off all appraisal fees and other amounts due from Franchisee to Franchisor or any of its affiliates. A material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Franchisor's failure to exercise the option afforded by this Section 14.D. shall not constitute a waiver of any other provision of this Agreement,

including all of the requirements of Section 14.B. Failure to comply with this Section 14.D. shall constitute a material event of default under this Agreement.

- E. Death or Permanent Disability. Franchisee or its representative shall promptly notify Franchisor of any death or claim of permanent disability subject to this Section 14.E. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section 14.B. for any inter vivos transfer.
- i Upon the death of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person (the “Deceased”), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within six (6) months after the death of the Deceased.
  - ii Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within six (6) months after notice to Franchisee. “Permanent disability” shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14.E. The costs of any examination required by this Section shall be paid by Franchisor.
- F. Securities Offerings. Interests in Franchisee shall not be offered to the public by private or public offering without Franchisor’s prior written consent, which shall not be unreasonably withheld. As a condition of its consent, Franchisor may, in its sole discretion, require that, immediately after such offering, Franchisee and the Principals retain a Controlling Interest in Franchisee. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the commencement of any offering covered by this Section 14.F. All offering materials shall be submitted to Franchisor for review prior to being filed with any governmental agency or distributed for use. Franchisor’s review of the offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor. No offering shall imply that Franchisor is participating in an underwriting, issuance or offering of securities. Franchisor may require the offering materials to contain a written statement prescribed by Franchisor concerning the relationship of Franchisee and Franchisor. Franchisee, its Principals and the other participants in the offering must fully indemnify Franchisor, its affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering.
- G. No Waiver. Franchisor’s consent to the transfer of any interest described in this Section 14 shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor’s right to demand transferee’s exact compliance with any of the terms of this Agreement.
- H. New or Successor Principals. If, after the execution of this Agreement, any person ceases to qualify as one of the Franchisee’s Principals or if any individual succeeds to or otherwise comes to occupy a

position which, upon designation by Franchisor, would qualify him as one of Franchisee's Principals, Franchisee shall comply with the provisions of this Article 14. with respect to any such change and shall notify Franchisor within ten (10) days after any such change. In addition, Franchisee shall cause such person to execute all documents and instruments (including, as applicable, the Principal's Guaranty and Assumption Agreement or the Confidentiality and Ancillary Covenants Not To Compete) as Franchisor may require others in such positions to execute.

## **15. INDEMNIFICATION**

Franchisee agrees to indemnify, defend and hold harmless Franchisor, Franchisor's affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of the development or operation of the Store or Franchisee's breach of this Agreement, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties in connection therewith, including, without limitation, the other Indemnified Parties. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from Franchisor's gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to Franchisee, Franchisee's Principals, officers, directors, employees, independent contractors or affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. Franchisor has the right to defend any such claim against Franchisee. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate Franchisor's, their or Franchisee's losses and expenses, in order to maintain and recover fully a claim against Franchisee. Franchisee agrees that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts Franchisor or another Indemnified Party may recover from Franchisee. The terms of this Article 15. shall survive the termination, expiration or transfer of this Agreement or any interest herein.

## **16. RELATIONSHIP OF THE PARTIES**

- A. Independent Contractor Relationship. Franchisee agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor conducting its Store operations pursuant to the rights granted by Franchisor.
- B. No Authority. Nothing in this Agreement authorizes Franchisee or any of the Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor shall in no event assume liability for, or be deemed



liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Principals or any claim or judgment arising therefrom.

## **17. TERMINATION**

- A. **Default and Termination.** Franchisee acknowledges that each of Franchisee's obligations described in this Agreement is a material and essential obligation; that nonperformance of such obligations will adversely and substantially affect the Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.
- B. **Automatic Termination.** Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or if an involuntary petition is filed with respect to Franchisee under any such laws and is not dismissed within 60 days after it is filed; or if Franchisee admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if a judicial or non-judicial action to foreclose any lien or mortgage against the Store premises or equipment is instituted against Franchisee and is not dismissed or settled by the earlier of (i) thirty (30) days from commencement or (ii) consummation of such sale; or if the real or personal property of Franchisee's Store shall be sold after levy thereupon by any sheriff, marshal or constable.
- C. **Termination on Notice; No Cure.** Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:
- i If Franchisee operates the Store or sells any products or services authorized by Franchisor for sale at the Store at a location which has not been approved by Franchisor;
  - ii If Franchisee fails to obtain Franchisor's approval of a proposed site or fails to acquire a Location for the Store within the time and manner specified in this Agreement.
  - iii If Franchisee fails to construct or remodel the Store in accordance with Franchisor's prototypical plans, as adapted in accordance with Section 2.
  - iv If Franchisee fails to open the Store for business within the period specified in Section 2.G. of this Agreement.
  - v If Franchisee at any time ceases to operate or otherwise abandons the Store, or loses the right to possess the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Store is located; provided, that this provision shall not apply in the event of a Force Majeure, if Franchisee applies within thirty (30) days after such event for Franchisor's approval to relocate or reconstruct the Store and Franchisee diligently pursues

such reconstruction or relocation. Franchisor's approval may not be unreasonably withheld but may be conditioned upon the payment of a fee to Franchisor during the period in which the Store is not in operation.

- vi If Franchisee or any of the Principals is convicted of, or has entered a plea of nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.
  - vii If a threat or danger to public health or safety results from the construction or operation of the Store.
  - viii If Franchisee or any of the Principals purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Store to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal contrary to the terms of Section 14, or if a transfer upon death or permanent disability is not made in accordance with Section 14.
  - ix If, contrary to the terms of Section 10.B., Franchisee or any of the Principals discloses or divulges any Confidential Information.
  - x If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor.
  - xi If Franchisee breaches in any material respect any of the covenants, or has falsely made any of the representations or warranties, set forth in Section 6, or if Franchisee makes any material misstatement or omission in the application for this franchise or in any other information provided to Franchisor.
  - xii If Franchisee fails to comply with Franchisor's quality assurance program and fails to cure any default thereunder within the applicable cure period.
  - xiii If Franchisee submits any report to Franchisor which understates Franchisee's Gross Sales or Royalty Fees by more than five percent (5%) or Franchisee under-reports such Gross Sales or Royalty Fees by more than three percent (3%) two (2) times within any twelve (12) month period.
  - xiv If Franchisee or any affiliate of Franchisee is in default of any other franchise agreement with Franchisor and fails to cure such default within the applicable cure period, if any.
  - xv If Franchisee or any of the Principals repeatedly commits a material event of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.
- D. Termination on Notice; Opportunity to Cure. Except as provided in Sections 17.B. and 17.C. of this Agreement, upon any default by Franchisee which is capable of being cured, Franchisor may terminate this Agreement by giving Franchisee written notice of termination stating the nature of the default and the time period within which the default must be cured. Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the time period set forth below or any longer period that applicable law may require ("cure period"). If any such default is not cured within the cure period, this Agreement shall terminate without further

notice to Franchisee effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

- i If Franchisee fails to procure and maintain the insurance policies required by Section 12 and fails to cure such default within seven (7) days following notice from Franchisor.
- ii If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein and fails to cure such default within twenty-four (24) hours following notice from Franchisor.
- iii If Franchisee fails to obtain the execution of the confidentiality and related covenants as required under Sections 10.B. or 10.C. of this Agreement within ten (10) days after being requested to do so by Franchisor and fails to cure such default within thirty (30) days following notice from Franchisor.
- iv If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay any monies owed to Franchisor or any of its affiliates, when due under this Agreement or any other agreement, or fails to submit the financial or other information required by Franchisor under this Agreement, and does not cure such default within five (5) days following notice from Franchisor.
- v If Franchisee fails to pay when due any fee, expense, charge, or other amount due and owing to any creditor of Franchisee and does not cure within ten (10) days following notice from Franchisor.
- vi If Franchisee or any of the Principals fails to comply with the restrictions against competition set forth in Section 10.C. of this Agreement and fails to cure such default within ten (10) days following notice from Franchisor.
- vii If Franchisee fails to maintain or observe any of the standards, specifications or procedures (which includes, without limitation, maintaining the required minimum inventory quantities and purchasing the requisite inventory items from the Approved Inventory List), prescribed by Franchisor in this Agreement or otherwise in writing, and fails to cure such default within thirty (30) days following notice from Franchisor.
- viii If Franchisee fails to comply with any other requirement imposed by this Agreement, or fails to carry out the terms of this Agreement in good faith and fails to cure such default within thirty (30) days following notice from Franchisor.
- ix If Franchisee fails to designate a qualified replacement Operating Principal or Lead Manager within thirty (30) days after any initial or successor Operating Principal or Lead Manager ceases to serve.

## **18. POST-TERMINATION**

A. Franchisee's Obligations Upon Termination. Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and Franchisee shall:

- i Immediately cease to operate the Store under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

- ii Immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, methods, procedures, and techniques associated with the System and the Marks. Without limitation of the foregoing, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms and any other items which display the Marks.
- iii Take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Socks & Bottoms" or any other Mark, and furnish Franchisor with satisfactory evidence of compliance within five (5) days after termination or expiration of this Agreement.
- iv Not use any reproduction, counterfeit, copy or colorable imitation of the Marks, in connection with any other business, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Marks, nor shall Franchisee use any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.
- v Promptly pay all sums owing to Franchisor and its affiliates, and all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor as a result of any default by Franchisee or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which obligation shall give rise to and remain a lien in favor of Franchisor against any and all assets of Franchisee, until such obligations are paid in full.
- vi Immediately deliver to Franchisor all Manuals, records, files, instructions, correspondence, Software Programs, and other materials related to the operation of the Store in Franchisee's possession or control, and all copies thereof, all of which are acknowledged to be Franchisor's property, and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.
- vii Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Section 10 of this Agreement and cause any other person required to execute similar covenants pursuant to Section 10 also to comply with such covenants.
- viii Promptly furnish to Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Store or at any other location under Franchisee's control. Franchisor shall have the right to inspect these materials and the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost. Materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.
- ix At Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Store or for any equipment used in the operation of the franchised business. Franchisor may exercise such option at or within thirty (30) days after the termination or expiration of this Agreement. Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete the assignment of Franchisee's interest in any such lease or sublease upon the exercise of Franchisor's option described herein. This power of attorney shall survive the expiration or termination of this Agreement. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Store premises, Franchisee shall make such modifications or alterations to the premises as are necessary to distinguish the appearance of the Store from that of other Socks & Bottoms Stores, and, if Franchisee fails or refuses to do so, Franchisor shall have the right to enter upon the

premises, without being guilty of trespass or any other crime or tort, to make or cause such changes to be made, at Franchisee's expense.

- x At Franchisor's option, assign to Franchisor all rights to the telephone numbers of the Store and any related Yellow Pages trademark or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Franchisee shall thereafter use different telephone numbers at or in connection with any subsequent business conducted by Franchisee.
- xi At Franchisor's option, assign to Franchisor all rights to the social media accounts for the Store and other online advertising or informational presence of the Store and any related online business listings and execute all forms and documents required by Franchisor and any website at any time to transfer such service and listings to Franchisor. Franchisee shall thereafter use different social media accounts, online URL's or websites at or in connection with any subsequent business conducted by Franchisee.

B. Additional Franchisor Options. In addition to its options under Sections 18.A.(9) and (10), Franchisor shall have the following options, to be exercised within thirty (30) days after termination or expiration of this Agreement:

- i Franchisor shall have the option to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, materials, inventory, and other assets related to the operation of the Store, at fair market value. Notwithstanding the foregoing, if Franchisor exercises its option to purchase such assets, the purchase price for any products manufactured by Franchisor or any of its affiliates shall be the amount paid by Franchisee for the purchase of such products, excluding all delivery and late fees paid by Franchisee in connection with such purchase. In addition, if Franchisee owns the land upon which the Store is located, Franchisor shall have the further option to purchase the land, including any building on the land used for the operation of the Store, for the fair market value of the land and building. If Franchisee does not own the land, Franchisor may nevertheless exercise this option for the purpose of purchasing any building owned by Franchisee and used in the operation of the Store.
- ii With respect to Franchisor's options under Section 18.B.(1), Franchisor shall purchase assets only and shall assume no liabilities, unless otherwise agreed in writing by the parties. If the parties cannot agree on the fair market value of the assets within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers. Each party shall select one (1) appraiser, and the average of their determinations shall be binding. In the event of an appraisal, each party shall bear its own legal and other costs and shall divide the appraisal fees equally. The purchase price shall be paid in cash; provided, that Franchisor shall have the right to set off from the purchase price (i) all fees due from Franchisee for any appraisal conducted hereunder, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates, and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees and costs).
- iii Closing of the purchase and sale of the properties described above shall occur not later than thirty (30) days after the purchase price is determined, unless the parties mutually agree to designate another date. At closing, Franchisee shall deliver to Franchisor, in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all necessary documents, instruments, or third party consents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or

documents. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

- C. Assignment of Franchisor Rights. Franchisor shall be entitled to assign any and all of its options in this Section 18 to any other party, without the consent of Franchisee.

## **19. MISCELLANEOUS**

### A. Notices.

- i Except as expressly provided in subsection (2) below, any and all notices required or permitted under this Agreement shall be in writing and shall be delivered by electronic mail to the parties at the following e-mail addresses:

Notices to Franchisor:	Sarah@socksandbottomsfranchise.com
Notices to Franchisee and Controlling Principals:	[INSERT PERSONAL EMAIL ADDRESS]

All notices and other written communications shall be sent through Franchisor's server and shall be deemed delivered and received on the date the transmission is received in the e-mail box designated above, whether or not the party receiving such message opens and reads the message in a timely manner. Franchisor and Franchisee and Franchisee's Operating Principal have, and each of them hereby accept, the obligation to check, open and read the messages in the e-mail boxes designated above at least once each Business Day. Franchisee and Franchisee's Operating Principal further agree to forward any such message received to Franchisee's Principals.

- ii Upon the expiration or termination of this Agreement or if, for any reason, Franchisor no longer provides a socksandbottomsfranchise.com e-mail account to Franchisee, then all future notices shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile (provided that the sender confirms the facsimile by sending an original confirmation copy by expedited delivery service or certified or registered mail within three (3) Business Days after transmission) to the respective parties at the addresses set forth below unless and until a different address has been designated by written notice to the other party. Any notice shall be deemed to have been given (whether or not delivery is accepted) at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided below).

Notices to Franchisor:	Socks & Bottoms Franchising, LLC 385 Concord Avenue Suite 201 Belmont, MA 02478 Attention: Chief Executive Officer
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Telephone: (617) 697-3534

Facsimile:

Notices to Franchisee and  
the Principals:

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

Attention: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

- B. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee and the Principals concerning the subject matter hereof and shall supersede all prior related agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.
- C. No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee or the Principals, or as to a subsequent breach or default by Franchisee or the Principals.
- D. Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to Franchisee, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Franchisee or any third party as a result thereof.
- E. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section 17.C.(5), Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Section 15. Except as provided in Section 17.C.(5) and the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.
- F. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force

and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

G. MEDIATION. FRANCHISOR AND FRANCHISEE ACKNOWLEDGE THAT DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT FRANCHISOR AND FRANCHISEE ARE UNABLE TO RESOLVE, BUT THAT MAY BE RESOLVABLE THROUGH MEDIATION. TO FACILITATE SUCH RESOLUTION, FRANCHISOR AND FRANCHISEE AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN FRANCHISOR OR ANY OF FRANCHISOR'S AFFILIATES (AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND FRANCHISEE (AND FRANCHISEE'S OWNERS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE, (b) FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE, OR (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE, TO MEDIATION BEFORE BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL.

- i THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR AGREED UPON BY FRANCHISOR AND FRANCHISEE AND, FAILING SUCH AGREEMENT WITHIN NOT MORE THAN FIFTEEN (15) DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR ORGANIZATION ("AAA") IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION SHALL BE HELD AT THE OFFICES OF THE AAA NEAREST TO FRANCHISOR'S THEN-CURRENT PRINCIPAL PLACE OF BUSINESS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY.
- ii IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING PURSUANT TO SECTION 19.H. FRANCHISOR AND FRANCHISEE AGREE THAT STATEMENTS MADE BY EITHER FRANCHISOR OR FRANCHISEE IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE FOR ANY PURPOSE IN ANY SUBSEQUENT LEGAL PROCEEDING.
- iii NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION 19.G., FRANCHISOR'S AND FRANCHISEE'S AGREEMENT TO MEDIATE SHALL NOT APPLY TO CONTROVERSIES, DISPUTES OR CLAIMS RELATED TO OR BASED ON THE MARKS OR THE CONFIDENTIAL INFORMATION. MOREOVER, REGARDLESS OF FRANCHISOR'S AND FRANCHISEE'S AGREEMENT TO MEDIATE, FRANCHISOR AND FRANCHISEE EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF.

H. LITIGATION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SECTION 19.G. ABOVE, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF THE JURISDICTION IN WHICH FRANCHISOR THEN MAINTAINS



ITS PRINCIPAL PLACE OF BUSINESS AND THE FEDERAL DISTRICT COURT FOR SUCH JURISDICTION AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISOR AND FRANCHISEE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY MASSACHUSETTS OR FEDERAL LAW. FRANCHISOR AND FRANCHISEE FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE JURISDICTION IN WHICH FRANCHISOR THEN MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS.

- I. GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER MASSACHUSETTS LAW (EXCEPT FOR MASSACHUSETTS CONFLICT OF LAW RULES).
- J. PARTIES' ACKNOWLEDGMENTS. FRANCHISOR AND FRANCHISEE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. FRANCHISOR AND FRANCHISEE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.
- K. WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR PURSUANT TO ARTICLE XV. AND CLAIMS FRANCHISOR BRING AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE AND FRANCHISEE'S PRINCIPALS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.
- L. LIMITATIONS OF CLAIM. EXCEPT FOR CLAIMS FRANCHISOR BRINGS WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR PURSUANT TO ARTICLE XV., ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISOR OR FRANCHISEE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.
- M. JURY WAIVER. FRANCHISOR AND FRANCHISEE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN FRANCHISOR AND FRANCHISEE OR FRANCHISOR'S AND FRANCHISEE'S RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL

DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

- N. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.
- O. Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.
- P. Survival. Any obligation of Franchisee or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Principals therein, shall be deemed to survive such termination, expiration or transfer. Without limitation of the foregoing, the provisions of Sections 19.G., H. and I. are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.
- Q. Gender. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by all of the Principals.
- R. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates, and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Section 17 of this Agreement shall not discharge or release Franchisee or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement. Additionally, Franchisee and the Principals shall pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in obtaining any remedy available to Franchisor for any violation of this Agreement.
- S. No Third Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and

Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 14), any rights or remedies under or as a result of this Agreement.

- T. Further Assurances. The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.
- U. Agreement Effective Upon Execution by Franchisor. This Agreement shall not become effective until signed by an authorized representative of Franchisor.

(signatures on following page)

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative.

**FRANCHISOR:**

Socks & Bottoms Franchising, LLC,  
a Nevada limited liability company

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

**FRANCHISEE:**

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

## ATTACHMENT A

### PRINCIPALS' GUARANTY AND ASSUMPTION AGREEMENT

This Guaranty and Assumption Agreement (the "Guaranty") is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, in consideration of, and as an inducement to Socks & Bottoms Franchising, LLC ("Franchisor") to enter into that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") with \_\_\_\_\_ ("Franchisee"). Each of the undersigned and any other parties who sign counterparts of this Guaranty (referred to herein individually as a "Guarantor" and collectively as "Guarantors") are Principals (as defined in the Agreement) of Franchisee and will receive material benefit from the execution of the Agreement by Franchisor.

Each Guarantor hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, that Franchisee will punctually perform its obligations and pay all amounts due under the Agreement, including, without limitation, amounts due for initial franchise fees, royalties, Brand Building Fund contributions and purchases of equipment, materials, and supplies.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty; and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including,

without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Agreement; and

- (v) Franchisee's written acknowledgment, accepted in writing by us, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor also makes all of the covenants, representations, warranties and agreements of the Principals set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Sections 6, 7, 10, 14., 15., 18, 19.G., H., I., K., L. and M.

If Franchisor is required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevail in such proceeding, Franchisor will be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

**IN WITNESS WHEREOF**, each Guarantor has hereunto affixed his signature on the same day and year as the Agreement was executed.

PRINCIPALS

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

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

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

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

\_\_\_\_\_  
\* Denotes individual who is Franchisee's Operating Principal

## ATTACHMENT B

### CONFIDENTIALITY AGREEMENT AND ANCILLARY

#### COVENANTS NOT TO COMPETE

This Agreement is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, between Socks & Bottoms Franchising, LLC, a Nevada limited liability company (“Franchisor”), \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Covenantor”) in connection with a franchise agreement between Franchisor and Franchisee dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

#### RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of Socks & Bottoms Stores.

The System is identified by certain Marks including, the mark “SOCKS & BOTTOMS,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate a Socks & Bottoms Store pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

#### Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Socks & Bottoms Store under the Franchise Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Store.

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that Franchisor grants Franchisee access to the Manuals for limited purposes only and that the Manuals remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

### **Covenants Not to Compete**<sup>1</sup>

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to Covenantor, Covenantor agrees that, during the term of his or her association with or employment by Franchisee, and for a period of one (1) year following the earlier of (i) the termination thereof, or (ii) the termination, expiration or transfer of Franchisee's interest in the Franchise Agreement, Covenantor will not, without Franchisor's prior written consent or as permitted under valid Franchise Agreements for Sock & Bottoms Stores:

a. Directly or indirectly divert, or attempt to divert any business opportunity or customer of the Store to any competitor; and

b. Directly or indirectly, for himself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association, or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any business which is the same as or similar to a Socks & Bottoms Store (including, without limitation, any retail facility which primarily offers and sells socks, underwear, bras, and related apparel items and accessories) and which is, or is intended to be, located within the Protected Area or within a five (5)-mile radius of any Socks & Bottoms Store then in existence or under construction.

### **Principal's Undertaking**

Covenantor also makes all of the covenants, representations, warranties and agreements of the Principals set forth in Sections 10.B., C., D., and E., 14, and 19.G., H. I., K, L., and M. of the Franchise Agreement and is obligated to perform thereunder.

### **Miscellaneous**

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that:

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<sup>1</sup>If Covenantor is a Principal not signing the Principals' Guaranty and Assumption Agreement, delete the Covenants Not to Compete section and replace it with the Principal's Undertaking section.



a. Each of the covenants herein contain 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 Franchisor.

b. 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 Franchisor is a party, Covenantor shall 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.

c. In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor shall be entitled, in addition to any other remedies which it may have at law or in equity, to 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.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

**5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MASSACHUSETTS, WITHOUT REFERENCE TO MASSACHUSETTS CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY MASSACHUSETTS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.**

6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

7. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Socks & Bottoms Franchising, LLC  
385 Concord Avenue, Ste. 201  
Belmont, MA 02478  
Attention: Chief Executive Officer  
Telephone: (617) 697-3534  
EMail: Todd@socksandbottomsfranchise.com

If directed to Franchisee, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

If directed to Covenantor, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of or registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

8. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall insure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

**FRANCHISOR:**

Socks & Bottoms Franchising, LLC,  
a Nevada limited liability company

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

**FRANCHISEE:**

\_\_\_\_\_

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

**COVENATOR:**

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

\* If Franchisor will not be a party, delete reference and modify the agreement to reflect, including the addition of the following third party beneficiary language: "Franchisor and Franchisor's successors and assigns shall be third party beneficiaries of this Agreement, with the full and independent right, at Franchisor's and their option and in Franchisor's and their sole discretion, to enforce this Agreement."

**ATTACHMENT C**

**SELECTED TERMS:**

**DESIGNATED AREA, LOCATION, PROTECTED AREA,  
AND OPENING DATE**

1 DESIGNATED AREA:

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2 LOCATION: The Store shall be located at the following address:

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3 PROTECTED AREA: [**The Protected Area will be the geographic area within a 0.5-mile radius  
around the Location.**]

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3 OPENING DATE: The Opening Date of the Store is \_\_\_\_\_, 20\_\_.

.

**ATTACHMENT D**

**STATEMENT OF OWNERSHIP INTERESTS AND MANAGEMENT INFORMATION**

1. The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in Franchisee, and a description of the nature of their interest:

NAME	OWNERSHIP INTEREST IN FRANCHISEE	NATURE OF INTEREST

2. The following is a list of all of Franchisee’s Principals who are signing the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Attachment B to the Franchise Agreement instead of signing the Principals’ Guaranty and Assumption Agreement.

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3. Franchisee’s Operating Principal is: \_\_\_\_\_

4. Franchisee’s Lead Manager (if applicable) is: \_\_\_\_\_

5. Franchisee’s Store Managers are: \_\_\_\_\_

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**ATTACHMENT E**

**ELECTRONIC FUNDS TRANSFER**

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO**

**SOCKS & BOTTOMS FRANCHISING, LLC/PAYEE**

BANK NAME

ACCOUNT #

ABA#

FEIN

---

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

- (1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- (2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: \_\_\_\_\_

Name of Depositor: \_\_\_\_\_

Designated Bank Acct.: \_\_\_\_\_

(Please attach one voided check for the above account.)

Store Location: \_\_\_\_\_

Store #: \_\_\_\_\_

For information call: \_\_\_\_\_

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

Phone #: \_\_\_\_\_

Fax #: \_\_\_\_\_

\_\_\_\_\_  
Name of Franchisee/Depositor (please print)

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

Signature and Title of Authorized Representative

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

## ATTACHMENT F

### DEFINITIONS

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control (a.k.a. OFAC)) addressing or in any way relating to terrorist acts and acts of war.

An “affiliate” of a named person is any person or entity that is controlled by, controlling or under common control with such named person.

“Approved Inventory” means the inventory items included on the Approved Inventory List or otherwise approved by Franchisor for sale in a Socks & Bottoms Store and which Franchisee is required to stock in the Store.

“Approved Inventory List” means the list of inventory items approved by Franchisor for sale in Socks & Bottoms Stores and which Franchisee is required to stock in the Store. Franchisor will update the Approved Inventory List from time to time and provide Franchisee with the updated list. The Approved Inventory List and any updates thereto shall be deemed to be part of the Manual for all purposes.

“Brand Building Fund” or “Fund” means the brand building fund described in Section 8.C. of this Agreement.

“Business Day” means each day other than a Saturday, Sunday, U.S. holidays or any other day on which the Federal Reserve is not open for business in the United States.

“Computer System” means the computer hardware and software and cash registers that Franchisor may designate from time to time for use in the operation of Socks & Bottoms Stores.

“Confidential Information” means all proprietary and confidential information relating to the establishment and operation of Socks & Bottoms Stores, including, without limitation: (i) Franchisor’s standards and specifications, including equipment, product, inventory, and supplier standards and specifications; (ii) site selection criteria; (iii) advertising and marketing plans and programs; (iv) research, development and test programs for products, inventory, services and operations; (v) the contents of the Manuals; (vi) knowledge of the operating and financial results of Socks & Bottoms Stores, other than Franchisee’s Store; (viii) computer programs and systems, including electronic data files and passwords, and (ix) Improvements (as defined in Section 10.D.).

“Controlling Interest” means (a) if Franchisee is a corporation, that the Principals, either individually or cumulatively, (i) directly or indirectly own at least fifty-one percent (51%) of the shares of each class of Franchisee’s issued and outstanding capital stock and (ii) be entitled, under its governing documents and under any agreements among the shareholders, to cast a sufficient number of votes to require such corporation to take or omit to take any action which such corporation is required to take or omit to take under this Agreement, or (b) if Franchisee is a partnership, that the Principals (i) own at least fifty-one percent (51%) interest in the operating profits and operating losses of the partnership as well as at least fifty-one percent (51%) ownership interest in the partnership (and at least fifty-one percent (51%) interest



in the shares of each class of capital stock of any corporate general partner) and (ii) be entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement.

“Force Majeure” means acts of God, strikes, lockouts or other industrial disturbances, war, terrorism, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee’s control.

“Franchisee’s Principals” shall include, collectively and individually, Franchisee’s spouse all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee’s Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee.

“Gross Sales” shall mean the total selling price of all services and products and all income of every other kind and nature related to the Store, including, without limitation, the amount of all sales transactions, delivery receipts, service income and any other receipts that Franchisor designates from time to time, whether for cash or credit and regardless of collection in the case of credit, and whether received from in-Store sales or sale outside of the Store premises, but expressly excluding (i) promotional allowances or rebates paid to Franchisee in connection with its purchase of products or supplies and (ii) sales, use, merchants’ or other taxes measured on the basis of the Gross Sales of the Store imposed by governmental authorities directly on sales or use and collected from customers, provided that the taxes are added to the selling price of Franchisee’s goods and services and are in fact paid by Franchisee to the appropriate governmental authorities. Cash refunded and credits given to customers shall be deducted in computing Gross Sales to the extent the amounts of such cash, credit or receivables represent sums previously included in Gross Sales on which royalties or Brand Building Fund contributions were paid. Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. Proceeds from the sale of coupons, gift cards, gift certificates or vouchers will not be included in Gross Sales when the coupons, gift cards, gift certificates or vouchers are sold. Instead, the retail price of products purchased with coupons, gift cards, gift certificates or vouchers will be included in Gross Sales during the week in which the coupon, gift card, gift certificate or voucher is redeemed.

“Gross Sales Report” means the report due on or before each Tuesday during the term of this Agreement, itemizing, in the form and manner Franchisor reasonably requires, the Gross Sales of the Store for the preceding month.

“Internet” means a global computer-based communications network.

“Intranet” means a restricted global computer-based communications network.

“Lead Manager” means a qualified individual who meets the requirements in Section 7.K. of this Agreement but who is not required to own an interest in Franchisee, designated by Franchisee and approved by Franchisor to supervise the operations of Franchisee’s Socks & Bottoms Stores.

“Manual” or “Manuals” means Franchisor’s confidential operations manual, which may consist of one or more manuals, containing Franchisor’s mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Socks & Bottoms Stores and Franchisee’s obligations under this Agreement. The term also includes alternative or supplemental means of communicating information to Franchisee, including bulletins, videotapes, audio tapes, compact discs, computer diskettes, CD ROMs and electronic communications.

“Opening Date” means the date the Store opens for business to the public.

“Protected Area” means the geographic area assigned to Franchisee upon the execution of this Agreement and described on Attachment C, exclusive of any Reserved Area, within which Franchisee will be afforded the protections described in Section 1.B. of this Agreement.

“Publicly-held Corporation” is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

“Reserved Area” is any amusement park, theme park, sports stadium or arena, airport, train station, hospital, school, hotel, office building or military base.

“Site Work” means, without limitation and as applicable, construction or finish-out of the Location, the paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises, depending on whether the Store is to be located in a freestanding building or contained within a shopping mall, strip center or other interior location.

“Store” or “Socks & Bottoms Store” means the business operated by Franchisee at the Location pursuant to this Agreement, including all assets of Franchisee used in connection therewith.

“Store Manager” means no fewer than one (1) manager who directs the day-to-day operation and management of the Store.

“Software Programs” means the proprietary or other software programs developed or acquired by or on behalf of Franchisor for use by Socks & Bottoms Stores.

“Taxes” means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by Franchisor’s net income.

## ATTACHMENT G

### LEASE ADDENDUM TERMS

(a) Landlord acknowledges that Tenant is a franchisee of Socks & Bottoms Franchising, LLC a Nevada limited liability company (“Franchisor”), and that the Store located at the Premises (“Unit”) is operated under the Socks & Bottoms franchise system, pursuant to a franchise agreement (“Franchise Agreement”) between Tenant and Franchisor.

(b) In the event of any default by Tenant under the Lease, Landlord shall give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give Franchisor further written notice of such failure (“Franchisor Notice”). Following Franchisor’s receipt of the Franchisor Notice, Franchisor shall have the right (but not the obligation) to cure Tenant’s default before Landlord shall exercise any of Landlord’s remedies arising as a consequence of Tenant’s default. Any such cure shall be completed within fifteen (15) days following Franchisor’s receipt of the Franchisor Notice. Such cure by Franchisor shall not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

(c) If Franchisor cures Tenant’s default or notifies Landlord of the termination of the Franchise Agreement (which termination shall constitute a non-curable default pursuant to the Lease upon Landlord’s receipt of Franchisor’s notice thereof), upon Franchisor’s request, Landlord will exercise its rights under the Lease to remove and evict Tenant from the Premises, and Franchisor shall have the right and option, upon written notice to Landlord, to assume the terms, covenants, obligations and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor shall enter into an agreement to document such assumption. Franchisor is not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(d) If, at any time after the assignment contemplated in section (c), Franchisor shall notify Landlord that the franchise for the Unit is being granted to another Socks & Bottoms Store franchisee, Landlord shall permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that said franchisee meets Landlord’s reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, Franchisor shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(e) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(f) All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor’s mailing address shall be, 385 Concord Avenue, Suite 203, Belmont, MA 02478, Attention: Chief Executive Officer, which address may be changed by written notice to Landlord in the manner provided in the Lease.

**EXHIBIT C**

**LIST OF FRANCHISEES**

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2022**

If you buy this franchise, your contact information may be disclosed to other buyers.

None.

**EXHIBIT D**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM  
AS OF DECEMBER 31, 2022**

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

None.

**EXHIBIT E**  
**MANUAL TABLE OF CONTENTS**



## OPERATIONS MANUAL TABLE OF CONTENTS

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**EXHIBIT F**

**FORM OF GENERAL RELEASE**

**EXHIBIT F**

**FORM OF GENERAL RELEASE**

**[Current Form for Transfers and Renewals]**

1. **Release of Claims.** Franchisee and its Owners and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively, "Franchisee Related Parties") irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively, "Releasees"), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, except for claims under the Maryland Franchise Registration and Disclosure Law ("Claim" or "Claims"), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

**[For California franchisees, add: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]**

2. **Unknown Claims.**
  - (a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur, or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

- (b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.
3. **Covenant Not to Sue.** Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.
4. **No Assignment of Claims.** Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.
5. **Full and Independent Knowledge.** Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement and that it has carefully read and understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by the Franchisor or, any of the Releasees or any of their representatives with regard to the subject matter, basis or effect of this Agreement.
6. **Compromise.** Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.
7. **General Provisions.**
- (a) **Entire Agreement.** This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.
- (b) **Authority.** By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.
- (c) **Counterpart Execution.** This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

- (d) Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.
- (e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.
- (f) Complete Defense. Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1 of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.
- (g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

**[Remainder of page intentionally left blank]**

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

**FRANCHISOR:**

Socks & Bottoms Franchising, LLC  
a Nevada limited liability company

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

**FRANCHISEE:**

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

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

**OWNERS:**

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

[See Additional Note:

**1. Add signature blocks for any additional parties identified pursuant to Section 1]**

**ATTACHMENT A**  
**LIST OF STATE ADMINISTRATORS**

## ATTACHMENT A

### LIST OF ADMINISTRATORS

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

#### **CALIFORNIA**

Department of Business Oversight  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
866-275-2677

#### **CONNECTICUT**

Cynthia Antanaitis  
Assistant Director  
Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, Connecticut 06103-1800  
(860) 240-8230

#### **FLORIDA**

Department of Agriculture and Consumer  
Services  
Mayo Building, 2<sup>nd</sup> Floor  
Tallahassee, Florida 32399

#### **HAWAII**

Business Registration Division  
Department of Commerce  
and Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

#### **ILLINOIS**

Chief, Franchise Bureau  
Attorney General’s Office  
500 South Second Street  
Springfield, Illinois 62706

#### **INDIANA**

Securities Commissioner  
Indiana Securities Division  
302 West Washington Street  
Room E-111  
Indianapolis, Indiana 46204

#### **MARYLAND**

Office of the Attorney General  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

#### **MICHIGAN**

Michigan Attorney General’s Office  
Consumer Protection Division  
Franchising Section  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa  
Lansing, Michigan 48933

#### **MINNESOTA**

Franchise Examiner  
Minnesota Department of Commerce  
85 Seventh Place East  
Suite 500  
St. Paul, Minnesota 55101



**NEBRASKA**

Nebraska Department of Banking and Finance  
Commerce Court  
1230 "O" Street  
Suite 400  
P.O. Box 95006  
Lincoln, Nebraska 68509-5006

**NEW YORK**

New York Department of Law  
Investment Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005

**NORTH DAKOTA**

Franchise Examiner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5th Floor  
Bismarck, North Dakota 58505-0510

**OREGON**

Department of Consumer and  
Business Services  
Division of Finance and  
Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97301

**RHODE ISLAND**

Securities Division  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex - Building 69-1  
Cranston, Rhode Island 02920

**SOUTH DAKOTA**

Franchise Administrator  
Department of Labor and Regulation  
Division of Securities  
445 E. Capitol Ave.  
Pierre, South Dakota 57501

**TEXAS**

Statutory Document Section  
Secretary of State  
P.O. Box 12887  
Austin, Texas 78711

**UTAH**

Director  
Department of Commerce  
Division of Consumer Protection  
160 East Three Hundred South  
P.O. Box 45804  
Salt Lake City, Utah 84111

**VIRGINIA**

State Corporation Commission  
Division of Securities  
and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219

**WASHINGTON**

Administrator  
Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507

**WISCONSIN**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
345 West Washington Avenue  
Madison, Wisconsin 53703

**ATTACHMENT B**  
**AGENTS FOR SERVICE OF PROCESS**

## **ATTACHMENT B**

### **AGENTS FOR SERVICE OF PROCESS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

#### **CALIFORNIA**

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

#### **MARYLAND**

Maryland Securities Commissioner  
Maryland Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

#### **CONNECTICUT**

Banking Commissioner of State of  
Connecticut  
Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, Connecticut 06103-1800  
(860) 240-8230

#### **MICHIGAN**

Michigan Department of Commerce  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, Michigan 48909

#### **HAWAII**

Commissioner of Securities  
Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

#### **MINNESOTA**

Commissioner of Commerce  
85 Seventh Place East  
Suite 500  
St. Paul, Minnesota 55101

#### **ILLINOIS**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

#### **NEW YORK**

Secretary of State of  
the State of New York  
99 Washington Avenue  
Albany, New York 12231

#### **INDIANA**

Secretary of State  
201 State House  
200 West Washington  
Indianapolis, Indiana 46204

#### **NORTH CAROLINA**

Secretary of State of North Carolina  
300 North Salisbury Street  
Raleigh, North Carolina 27603

**NORTH DAKOTA**

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol - 5th Floor  
Bismarck, North Dakota 58505-0510

**OREGON**

Director  
Department of Consumer and  
Business Services  
Division of Finance and  
Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97310

**RHODE ISLAND**

Director  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex - Building 69-1  
Cranston, Rhode Island 02920

**SOUTH DAKOTA**

Director  
Department of Labor and Regulation  
Division of Securities  
445 E. Capitol Ave.  
Pierre, South Dakota 57501

**VIRGINIA**

Clerk of the State  
Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219

**WASHINGTON**

Director of Financial Institutions  
Securities Division  
150 Israel Rd. S.W.  
Tumwater, Washington 98501

**WISCONSIN**

Commissioner of Securities  
Wisconsin Securities Commission  
345 West Washington Avenue  
Madison, Wisconsin 53703

**ATTACHMENT C**

**STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

**ITEM 23**  
**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 Socks & Bottoms Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) Maine, New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Socks & Bottoms Franchising, LLC 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 any applicable state agency (as listed in **Attachment A** to this disclosure document).

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

Name	Principal Business Address	Telephone Number
Todd Giatrelis	385 Concord Avenue, Suite 201, Belmont, Massachusetts 02478	617-697-3534
Maria Giatrelis	385 Concord Avenue, Suite 201, Belmont, Massachusetts 02478	617-852-5219
Luke Elson	385 Concord Avenue, Suite 201 Belmont, Massachusetts 02478	401-318-5587

Issuance Date: March 31, 2023

I received a disclosure document dated March 31, 2023. The disclosure document included the following Exhibits and Attachments:

- Exhibit A Financial Statements
- Exhibit B Franchise Agreement, including attachments and state-specific addenda
- Exhibit C List of Franchised Stores
- Exhibit D Franchisees Who Have Left the System
- Exhibit E Manual Table of Contents
- Exhibit F Form of General Release
- Exhibit G End User License Agreement
- Exhibit H Maintenance and Support Agreement
- Attachment A List of State Administrators
- Attachment B Agents for Service of Process
- Attachment C State Specific Addenda to Franchise Disclosure Document

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

\_\_\_\_\_ Individually and as an Officer of the company designated below or a company to be formed and designated below on formation

\_\_\_\_\_ Printed Name

of \_\_\_\_\_  
(a) \_\_\_\_\_ Corporation)  
(a) \_\_\_\_\_ Partnership)  
(a) \_\_\_\_\_ Limited Liability Company)

**[Keep this page for your records]**

**ITEM 23**  
**RECEIPT**

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If Socks & Bottoms Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) Maine, New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Socks & Bottoms Franchising, LLC 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 any applicable state agency (as listed in **Attachment A** to this disclosure document).

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

Name	Principal Business Address	Telephone Number
Todd Giatrelis	385 Concord Avenue, Suite 201, Belmont, Massachusetts 02478	617-645-3755
Maria Giatrelis	385 Concord Avenue, Suite 201, Belmont, Massachusetts 02478	617-852-5219
Luke Elson	385 Concord Avenue, Suite 201 Belmont, Massachusetts 02478	401-318-5587

Issuance Date: March 31, 2023

I received a disclosure document dated March 31, 2023. The disclosure document included the following Exhibits and Attachments:

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- Attachment B Agents for Service of Process
- Attachment C State Specific Addenda to Franchise Disclosure Document

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

\_\_\_\_\_ Individually and as an Officer of the company designated below or a company to be formed and designated below on formation

\_\_\_\_\_  
Printed Name

of \_\_\_\_\_  
(a) \_\_\_\_\_ Corporation)  
(a) \_\_\_\_\_ Partnership)  
(a) \_\_\_\_\_ Limited Liability Company)

**[Sign and Return this page]**