

ITEM 8 – INITIAL FRANCHISE DEPOSITS AND FRANCHISE FEES

Initial Franchise Fee

The initial franchise fee (“Initial Franchise Fee”) of US\$19,950 is due and payable upon execution of the Franchise Agreement for your first territory. The Initial Franchise Fee is not refundable under any circumstances. You will receive the Tailored Living® Start-Up Package when the Initial Franchise Fee is paid in full.

We discount the Initial Franchise Fee by 15% for new franchisees who are currently-serving or honorably discharged veterans of the Canadian armed forces and their spouses. If you are a currently-serving or honorably discharged veteran or spouse of a currently-serving or honorably discharged veteran of the Canadian armed forces, you will therefore pay a discounted Initial Franchise Fee of US\$16,958.

Note to Renewing Franchisees: You are not required to pay the Initial Franchise Fee. However, you must pay the renewal fee in the amount of US\$5,000.

Note to Resale Franchisees: If you are purchasing an existing Tailored Living® franchise and this is your first Tailored Living® franchise, you will pay us the Initial Franchise Fee for the first Territory and a Transfer Fee of US\$5,000 per Territory purchased. If you are purchasing an existing Tailored Living® franchise and you are already a Tailored Living® franchisee, the Transfer Fee is US\$5,000 per Territory. In addition, if you (or your Equity Holder) were already in our lead database at the time of first contact between you and the selling franchisee, then we may require the selling franchisee to pay our then-current referral fee plus the amount of any broker fees that we must pay a third-party. You and the selling franchisee may determine who will pay the Transfer Fee, and the referral or broker fees, if any, however, we will only accept payment from the selling franchisee. Our current referral fee is \$15,000 and broker fees range from US\$18,000 to US\$30,000.

Territory Fee

Unless you are a veteran, active service member or spouse of a veteran or active service member of the Canadian armed forces, in addition to the Initial Franchise Fee, when you sign your first Franchise Agreement you must also pay to us a territory fee (“Territory Fee”) of US\$55,000. If you enter into a second Franchise Agreement for a second territory at the same time as your first Franchise Agreement, the Additional Territory Fee will be US\$45,000. Otherwise, for any subsequent Franchise Agreement and territory, the Additional Territory Fee will be the same as the then-current Territory Fee. The Territory Fee is not refundable under any circumstances.

If you are a currently-serving or honorably discharged veteran or spouse of a currently-serving or honorably discharged veteran of the Canadian armed forces, you will pay us a discounted Territory Fee of \$46,750.

If you enter into a second Franchise Agreement for a second territory at the same time as your first Franchise Agreement, the Additional Territory Fee will be \$45,000. Otherwise, for any subsequent Franchise Agreement and territory, the Additional Territory Fee will be the same as the then-current Territory Fee. The Territory Fee is not refundable under any circumstances.

Note to Renewing Franchisees: You are not required to pay the Territory Fee.

Note to Resale Franchisees: If you are purchasing an existing Tailored Living® franchise, you will not be required to pay us the Territory Fee.

Royalty Fee

The Franchisee is required to pay to the Franchisor a monthly royalty fee (the “Continuing Royalty”) in the amount of \$2,000. However, if the Territory was not franchised by the Franchisor immediately before the effective date of the Franchise Agreement (i.e., this is not a renewal term and the Franchisee did not purchase the Territory from an existing franchisee), the Continuing Royalty will be reduced during the first three years of the term. During this phase-in period, the Franchisee will pay a Continuing Royalty according to the following schedule:

Months	Amount
1 – 6	\$300
7 – 12	\$700
13 – 24	\$1,100
25-36	\$1,500
37 and later	\$2,000

Funds are drawn on the 15th day of each month during the Term, beginning on the Operating Date (unless the 15th day is not a business day in which event they shall be drawn on the next business day), and continuing until the date of expiration or termination of the Franchise Agreement; however, we may change the frequency of payment to weekly and if we do so the Continuing Royalty payment amount will be adjusted accordingly. Any payment of the Continuing Royalty not paid when due will be subject to an insufficient or late payment fee of \$300 as compensation for the expenses incurred by us (as liquidated damages and not as a penalty). Continuing Royalty fees are not refundable.

The amount of the Continuing Royalty may be increased annually on April 1 of each year by CPI.

Note to Renewing Franchisees: Upon renewal, the Continuing Royalty will be the amount then charged to new franchisees but without any phase-in period.

Note to Resale Franchisees: If you purchase your business from an existing Tailored Living® franchisee, you will pay the Continuing Royalty paid by the former franchisee instead of the amount described above. Your Continuing Royalty payment will thereafter increase according to the above table. No phase-in will apply upon renewal. For example, if the prior franchisee was in the 20th month of the term and was paying \$1,100, you will start paying a Continuing Royalty of \$1,100, which will increase to \$1,500 on the 25th month after the prior franchisee's Operating Date, and to \$2,000 on the 37th month after the prior franchisee's Operating Date.

ITEM 9 – OTHER FEES

The following is a list of all other recurring or isolated fees or payments, directly or indirectly charged by, or payable to, the Franchisor, the Franchisor's associate or the Franchisor's affiliates. Unless otherwise noted, these fees are not refundable under any circumstances. This list includes such fees or payments that the Franchisor, the Franchisor's associate or the Franchisor's affiliates imposes or collects, in whole or in part, on behalf of a third party, except payments required to be collected by law on behalf of a municipal, provincial or federal government or governmental agency.

TYPE OF FEE¹	AMOUNT	DUE DATE	REMARKS
National Advertising Fund Payment	You must pay the greater of 1% of your Gross Revenue for the immediately preceding month or \$500.	Gross Revenue to be reported by the 5 th of each month for the preceding month. Funds drawn on the 15 th of the month, in arrears.	
Technology Fee	Currently \$300 per territory, may be adjusted	Same as royalty	Intended to partially reimburse us for costs of technology platforms and tech support.
Training for Additional Personnel	First two attendees are free. We may charge up to \$150 per day for additional attendees, plus travel, accommodation and meals.	One week before training begins. Travel, accommodation and meals are due as required by service providers.	See Item 16
Encroachment Payment	100% of your Gross Sales in another franchisee's territory	When you make sales in another franchisee's territory in violation of your franchise agreement.	As an alternative to termination of your franchise agreement for operating in another franchisee's territory.
Key Account Referral Fees	We negotiate each program individually with the key account	No more often than monthly	We may charge you referral fees or a percentage of the job in exchange for Key Account leads. You may opt out of servicing any Key Account.
Fees on Transfer	If selling to a new franchisee, US\$19,950 initial franchise fee for the first territory and US\$5,000 transfer fee for each territory. If selling to an existing franchisee, US\$5,000 transfer fee per territory.	Before transfer	Payable when you sell your franchise. No charge if your franchise is assigned to a corporation or similar entity that you control.
Transfer Lead Referral Fee	Our then-current transfer lead referral fee, currently US\$15,000, or any broker fee we incur.	Upon a transfer of your franchise agreement to a buyer who was already listed in our sale	Intended to partially reimburse us for our costs in developing leads who then purchase from

¹ All payments under the Franchise Agreement are expressed in Canadian Dollars unless otherwise stated. All payments must also be made in Canadian Dollars.

		database at the time you and the buyer began discussing a sale	existing franchisees.
Renewal Fee	US\$5,000	When you sign a renewal franchise agreement	
Meeting Attendance and Required Training	As determined by us, but generally \$100 to \$1,000 depending on venue and mode of delivery. We reserve the right to charge a non-attendance fee.	By registration date.	Attendance at National Convention and certain meetings is mandatory.
De identification Costs	All of our costs or expenses in making such removals or changes.	On demand	Payable (in US Dollars) only if the franchisee fails to make or cause to be made any removal or change described in Section 12.1(b) (Franchisee's Obligations following Transfer, Termination or Expiration) and we make such removals or changes on your behalf.
Insufficient or Late Payment Fee	\$300	On due date of Royalty, National Advertising Fee and Technology Fee if payment not made in full.	Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.
Default Expenses	All costs or expenses (including legal fees) incurred by us on account of curing the default.	On demand.	Payable (in US Dollars) only if the franchisee defaults under the Franchise Agreement or any related agreement involving third parties and we cure the default for the account of and on your behalf.
Products	Will vary under the circumstances.	As invoiced.	You must pay us for any Products purchased from or through us.
Website	Reasonable fee not to exceed \$780 per year.	As invoiced.	Assessed if we permit you to customize or post certain information to the Franchise Page on our Website.
Audit	Cost of inspection or audit	On demand.	If audit required due to your failure to report or your records and

			procedures are insufficient to determine your revenues or Product purchases or Product purchases from unapproved vendors exceed 10% of your Product purchases, you must pay all costs of audit.
Insurance	You must reimburse our costs.	On demand.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Costs and Legal Fees	Varies	On demand.	If you breach the franchise agreement and we prevail in any arbitration or litigation, you will owe us our reasonable legal fees and costs.
Indemnification	Varies	On demand.	You must reimburse us for costs and expenses related to certain claims against us.

ITEM 10 – ESTIMATED INITIAL INVESTMENT

Though very difficult to forecast each and every possible scenario, we anticipate (based solely on our experience in Canada to date) that you will incur the following estimated initial expenditures when establishing the Franchised Business.

CAUTIONARY NOTES:

1. THE FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF ANY WARRANTY, REPRESENTATION, CONDITION, UNDERTAKING, ASSURANCE OR GUARANTEE, EXPRESS, IMPLIED OR COLLATERAL, WRITTEN OR ORAL, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE FRANCHISED BUSINESS.

2. PLEASE NOTE THAT THE FOLLOWING CHART IS NOT AN EXHAUSTIVE LIST AND YOU MAY HAVE ADDITIONAL EXPENDITURES. THE FOLLOWING CHART IS NOT INTENDED TO REPLACE THE APPLICABLE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT. REFERENCE THEREFORE SHOULD BE MADE TO THE FRANCHISE AGREEMENT. WE RECOMMEND THAT YOU THOROUGHLY REVIEW THE FOLLOWING WITH YOUR LAWYERS AND OTHER PROFESSIONAL ADVISORS. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS ITEM 10 AND THE FRANCHISE AGREEMENT, THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT SHALL PREVAIL. THE FOLLOWING CHART DOES NOT INCLUDE ANY OF THE ONGOING COSTS OF OPERATING THE FRANCHISED BUSINESS, FINANCING COSTS, YOUR PERSONAL LIVING EXPENSES, OR ANY RECURRING OR ISOLATED PAYMENTS DESCRIBED ABOVE IN ITEM 9. THOSE FEES MUST BE TAKEN INTO CONSIDERATION IN CALCULATING THE COST OF ESTABLISHING THE FRANCHISE.

3. THE FOLLOWING CHART CONTAINS ESTIMATED FIGURES/RANGES OF THE DIRECT AND INDIRECT COSTS TO BE INCURRED BY A TYPICAL FRANCHISEE FOR THE ESTABLISHMENT OF A SINGLE FRANCHISE TERRITORY. THESE ESTIMATES ARE BASED ON THE EXPERIENCES OF OUR CANADIAN FRANCHISEES. THE FOLLOWING FIGURES/RANGES WILL VARY DEPENDING ON FACTORS SUCH AS:

- **HOW CLOSELY YOU FOLLOW OUR METHODS AND PROCEDURES;**
- **YOUR MANAGEMENT SKILL, EXPERIENCE, AND BUSINESS ACUMEN;**
- **LOCAL ECONOMIC CONDITIONS;**
- **LOCATION AND SIZE OF THE TERRITORY;**
- **METHOD AND AMOUNT OF FINANCING USED;**
- **PREVAILING WAGE RATES;**
- **WHETHER YOU PERFORM THE SERVICES PERSONALLY;**
- **THE LOCAL MARKET FOR OUR PRODUCTS AND SERVICES; AND**
- **THE COMPETITION FACED BY YOU.**

GIVEN THE ABOVE:

- **THE RANGE OF TOTAL EXPENDITURES TO BE INCURRED BY YOU TO ESTABLISH (AND OPERATE) THE FRANCHISED BUSINESS MAY VARY CONSIDERABLY FROM THE AMOUNTS ESTIMATED BELOW.**
- **WE ENCOURAGE YOU TO CONTACT THIRD-PARTY VENDORS, OUR EXISTING FRANCHISEES, AND YOUR FINANCIAL AND LEGAL ADVISORS AND TO CONDUCT YOUR OWN DUE DILIGENCE TO DETERMINE THE RANGE OF EXPENDITURES THAT MAY BE INCURRED BY YOU.**

Note to Renewing Franchisees: As you are already operating a Tailored Living® franchise, assuming you are in compliance with the Franchise Agreement, the following chart of costs does not apply to you. However, we may require you to perform certain changes to the Franchised Business as we may require to reflect and to comply with our current standards.

Note to Resale Franchisees: The Franchisor does not provide details of the purchase agreement or other documents between you and the vendor franchisee because this is negotiated between those parties. Some or all of the items below may be included in the purchase price to be paid to the vendor franchisee. The Franchisor does not review the purchase agreement or other documents to determine what is and is not included in the purchase price; this is your responsibility. In addition, we may require you to make operational improvements to the franchise to bring the business into reasonable compliance with the Franchisor's then-current standards.

PLEASE READ THE BELOW CHART TOGETHER WITH THE NOTES THAT FOLLOW EACH LINE ITEM.

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ITEM	ESTIMATED AMOUNT	DUE DATE	PAID TO	REFUNDABLE
Travel and Living Expenses While Training ²	\$250 - \$2,500	During Training	Your suppliers	As determined by suppliers; usually not refundable
In-Person Training for Additional Personnel (per person)	\$0 - \$150	One week before training begins	Us	No
Office/Warehouse ³ (Deposit and 3 months rent)	\$3,000 - \$9,500	When you sign the lease and monthly	Landlord	As determined by landlord; usually not refundable
Work Vehicle ⁴	\$10,000 - \$55,000	Upon opening	Your vehicle lessor or dealer	As determined by lessor or dealer; usually not refundable
Trailer ⁵	\$0 - \$10,000	Upon opening	Trailer lessor or dealer	As determined by lessor or dealer; usually not refundable

² If you buy your franchise from us, we will train you and one additional attendee. Training consists of a combination of 5 days of in-person Academy training at the HFC Experience Center in Coppell, Texas as well as pre- and post-Academy training that is conducted virtually and/or online. Especially during COVID-19, the mode of delivery of training is subject to change. For the in-person Academy training, we will pay up to the aggregate amount of US\$500 for airfare for you and one other person to attend Academy training. We will also pay for one hotel room (but not the changes to your room for telephone, internet and similar expenses) of our choice for you or your manager. You must pay any additional costs of transportation, lodging and meals that you and your employees incur during Academy training as well as any wages of your employees for their time during training.

³ You must obtain commercial office/warehouse premises from which to operate your business because you will need workspace and inventory storage facilities. Your facility will need to be approximately 1,000 – 1,800 square feet and your warehouse will need roll-up doors and be located in an area where you may receive deliveries from large semi-trailer vehicles.

⁴ This estimate covers the cost of a new or used white box van or enclosed trailer with the minimum dimensions of 14' long, 7' wide and 7' high (ideally a Chevrolet W3500, Isuzu NPR "Tilt Master", or equivalent box van) on which the Tailored Living® trade-marks are placed. The vehicle may be bought or leased but you should not purchase your vehicle for cash unless you will still have at least that same amount available as additional working capital to operate your business. We give you the decals as part of the Tailored Living® Start-Up Package and you have them installed, at your expense, on your vehicle by our vendor.

⁵ We recommend the following trailer specifications:

- 16ft tandem axle enclosed trailer
- 7000# GVWR
- 100" vertical inside clearance
- 96" wide (minimum) inside clearance
- Brakes both axles, electric preferred
- No side door
- E Track – 2 horizontal rows: 24" high and 60" high from the floor to the bottom of the track. Tracks should be mounted so they do not protrude beyond inside walls of trailer so as not to come in contact with cabinets being hauled.
- Heavy duty 2-5/16" ball coupler

ITEM	ESTIMATED AMOUNT	DUE DATE	PAID TO	REFUNDABLE
Forklift ⁶	\$1,990 - \$16,425	Upon opening	Your lessor or supplier	As determined by lessor or supplier; usually not refundable
Computer ⁷	\$1,500 - \$3,000	Upon opening	Your suppliers	As determined by suppliers; usually not refundable
Credit Card Processing Technology	\$30 - \$500	Upon opening	Your suppliers	As determined by suppliers; usually not refundable
Auto Insurance ⁸	\$1,800 - \$3,500 per year	Before opening	Your insurance company or broker	As determined by your insurance company or broker; usually not refundable
Commercial General Liability Insurance ⁹	\$1,500 - \$2,500 per year	Before opening	Your insurance company or broker	As determined by your insurance company or broker; usually not refundable
Contractor's License ¹⁰	\$0 - \$2,000	Before opening	Government authorities	Usually not refundable
Licenses, Permits, Authorizations and Bond ¹¹	\$150 - \$1,500	As required by applicable bonding or insurance company or government agency	Bonding or insurance company, government agencies	Usually not refundable

⁶ Purchase or lease of a forklift is required. Low figure is the estimated purchase price of a reconditioned unit and the high figure is the estimated price of a new unit. If you want to finance the forklift, you should check the availability of financing and its cost in your area.

⁷ This is a laptop computer. A minimum 14-inch screen with high resolution is recommended. Windows operating system is required for compatibility with required software.

⁸ Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$1,000,000. We must be named as an additional insured.

⁹ Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$2,000,000. We must be named as an additional insured.

¹⁰ A contractor's license is required only in provinces that require a contractor's license.

¹¹ See Item 23 of this disclosure document for a description of the list of licences, permits and authorizations required for the establishment of the Franchised Business. This estimate does not include the cost of any municipal licences, permits or authorizations.

ITEM	ESTIMATED AMOUNT	DUE DATE	PAID TO	REFUNDABLE
Professional Fees	\$2,000 - \$5,000	As incurred	Your lawyer, accountant and business adviser	Usually not refundable
Initial Marketing	\$10,000 - \$15,000	As incurred	Suppliers (primarily media outlets)	As determined by suppliers; usually not refundable
Initial Inventory ¹²	\$10,000 - \$12,000	As negotiated	Your suppliers	As determined by suppliers; usually not refundable
Additional Tools and Supplies ¹³	\$16,000 - \$28,500	Before opening	Your suppliers	As determined by suppliers; usually not refundable
Additional Funds ¹⁴	\$45,000 - \$65,000	As incurred	As incurred	See Note 15

ITEM 11 – ESTIMATE OF OPERATING COSTS

The Franchisor does **not** provide an estimate of operating costs for the franchise on an annual basis or for any other period. Further, the Franchisor does not authorize its salespeople or any of its employees, agents or representatives to provide estimates of operating costs for the franchise. If you have received any such estimate, or any other information, promises, representations and/or warranties:

1. They have not been authorized, do not rely on them, we are not bound by them, and, if you do rely on such information, promises, representations and/or warranties, you do so at your own risk; and
2. We urge you to immediately notify us, in writing, with respect to such information prior to the purchase of your Tailored Living® franchise; that is, prior to you signing the Franchise Agreement.

¹² You should plan to have at least two weeks' worth of inventory on hand before starting business and at all times thereafter.

¹³ As part of the Tailored Living® Start-Up Package, we give you some of the items included in this category at no additional charge. We only provide a Tailored Living® Start-Up Package if this is your first franchise agreement with us. We do not provide additional samples when you sign a subsequent franchise agreement. If you want more or additional samples from other approved suppliers or samples of other products, you must obtain them from the supplier.

¹⁴ The figures in the above chart represent the amount of working capital that we estimate is needed for your to operate a Franchised Business during your start-up period, which we assume to be 3 months long. These figures include amounts necessary to pay employee salaries, gasoline purchases and vehicle maintenance expenses. Your working capital needs may exceed these estimates depending, among other things, on prevailing wage costs in your territory. This working capital is to be used for initial advertising, vehicle expenses, the office equipment required by the Franchisor as well as miscellaneous other office equipment, insurance, all necessary business, contractors or other licenses required by applicable federal, provincial or local governmental authorities to do business, initial tools and supplies, deposits, initial start-up costs, and related expenses. In addition, additional funds will be required to finance operations and living expenses until a positive cash flow is produced. This category is limited to the first three months of business only.

ITEM 12 – HISTORICAL CLAIMS AND EARNINGS PROJECTIONS

We expressly disclaim the making of, and you acknowledge that you have not received or relied upon any warranty, representation, statement, promise, guarantee or inducement, express, implied or collateral, whether oral or written, as to the future growth of our franchise system, or your anticipated income, earnings and growth or success, or the viability of the business opportunity conveyed by the Franchise Agreement.

In all cases, the performance of your Franchised Business is primarily dependent upon you.

Except for the historical information set out below, we do not furnish or authorize our salespersons, employees or representatives or anyone else to furnish any oral or written information or representations or future financial performance or the past financial performance of franchised outlets concerning the actual or potential sales, costs, income or profits or other historical results, projections or otherwise (or representations regarding any working capital or other funds necessary to reach any “break-even” or any other financial level) of Tailored Living® franchises either orally or in writing. Since actual results vary from location to location, we cannot estimate the results of any particular franchise and cannot reliably predict, forecast or project future performance, revenues, profits or otherwise of any Tailored Living® franchise, even including ones owned and/or operated by us, if any, due to the large number of factors outside of our control. We certainly cannot reliably predict what your results might be.

If any other information, promises, representations and/or warranties have been provided to you, apart from the historical survey information set up below:

1. They have not been authorized, do not rely on them, we are not bound by them, and, if you do rely on such information, promises, representations and/or warranties, you do so at your own risk; and
2. We urge you to immediately notify us, in writing, with respect to such information prior to the purchase of your Tailored Living® franchise; that is, prior to the signing of your Franchise Agreement.

The following is information concerning the reported annual sales and other financial measures of those Canadian franchisees who were open for business for all of calendar year 2020 and who reported their sales for all of 2020. This information is of an historical nature and is not a projection of the results you are likely to achieve if you purchase a Franchised Business.

We do not have data to establish whether the experiences of the franchisees who reported are typical of all franchisees, so you must consider the possibility that these data may not be typical.

A. Annual Sales Levels

The following table shows annual gross sales reported by Canadian franchisees with a single territory and with two territories, that were in business throughout calendar year 2020. Figures for franchisees that had two territories are total sales for both territories – not average per territory. All gross sales figures are presented without regard to the size of the territory. Although we currently grant territories that include approximately 75,000 households, not all territories are that size (as some include a significantly higher number, while some a significantly lower number of households). These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

During 2020 there were 8 reporting Canadian franchisees that operated a single territory throughout the year and 13 who operated two or more territories each throughout the year.

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

MEASURE	2020	2019	EXPLANATION
Average Sales – One Territory	\$475,692	\$439,849	Equals total sales by all franchisees owning one or two territories, divided by the number of franchisees with that number of territories. ¹
Average Sales – Two or more Territories	\$453,784	\$439,654	
Median Sales – One Territory	\$391,893	\$350,000	Shows mid-point of annual sales by franchisees with indicated number of territories. ²
Median Sales – Two or more Territories	\$458,000	\$451,075	

Although some of our franchisees have higher sales, and some have lower sales, the following table includes only information about the annual gross sales performance of the middle 50% of our franchisees – that is, disregarding the top 25% and the bottom 25%.

MEASURE	2020	2019	EXPLANATION
75 th Percentile – One Territory	\$602,484	\$496,457	Reported sales by the 75 th percentile of franchisees; only 25% of franchisees reported sales higher than this level.
75 th Percentile – Two or more Territories	\$598,581	\$579,301	
Average Sales of Middle 50% – One Territory	\$400,166	\$351,969	Equals the mean (average) annual gross sales of those franchisees whose reported sales levels fell between the top 25% and the bottom 25%. ³
Average Sales of Middle 50% – Two or more Territories	\$510,258	\$451,075	

25 th Percentile – One Territory	\$273,790	\$320,054	Reported sales by the 25 th percentile of franchisees; only 25% of franchisees reported sales lower than this level.
25 th Percentile – Two or more Territories	\$310,500	\$311,428	

1. Of our reporting franchisees in operation for all of 2020, 3 or 38% of the franchisees with a single territory, and 3 or 23% of the franchisees with two or more territories, had total annual sales that equalled or exceeded the mean sales figure stated.
2. Of our reporting franchisees in operation for all of 2020, 4 or 50% of the franchisees with a single territory, and 3 or 23% of the franchisees with two territories, had greater sales than the median figure.
3. The calculation of this average disregards the franchisees that had sales lower than the 25th percentile or higher than the 75th percentile.

The sales of new franchisees are likely to start out lower than these figures. In addition, your total sales will be affected by a variety of factors, including the number and nature of competitors in your territory, how well you follow the System, how hard you work, the number of people buying and selling homes in your territory, the general economy in your territory, and other factors (some of which are beyond the control of both you and us). You should conduct your own research into the situation in your potential territory, including investigating the number and nature of competitors in your area, the prices charged by those competitors for sales and installation of organizing systems and garage flooring, and information about home sales in the area.

The following is information from franchisees responding to a survey that we conducted in February and March 2021. The survey was sent to all our franchisees, and franchisees representing 100% of territories returned fully completed surveys. The questions asked as part of the survey and the results are described below.

B. Cost of Goods Sold

As part of the survey, we asked our Canadian franchisees to report their experiences concerning average cost of goods sold (that is, the cost to franchisees of products sold by the franchisees) as a percentage of the price at which the franchisees sold those same products to their customers. According to that survey, the average cost of goods sold was 44% of the gross (retail) sales price. We have not independently verified this amount, but that figure is consistent with information concerning suggested mark-ups taught to franchisees in our training class. Your cost of goods sold may vary from this average, depending upon the number and nature of competitors in your area, the prices at which they sell similar products and services, your abilities and efforts, and other factors.

In addition to the cost of goods sold, you will also incur other expenses, such as monthly payments (lease or financing) for the required van, labour costs for anyone you hire, rent for office/warehouse space (especially if you do not work out of your home), telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, provincial and local taxes, and financing expenses. You may also incur other expenses, depending upon the manner in which you operate the business. You should consult with your advisors and with other business owners concerning the other types and amounts of expenses you will incur.

C. Closing Rate

As part of the survey referred to above, we also asked our Canadian franchisees about their “closing rate” (that is, the number of sales calls that result in an actual sale). The average of all responses was 57%. We have not independently verified this amount. Your closing rate may vary from this average, depending upon how well you follow the System, the number and nature of competitors in your area, the prices at which your competitors sell similar products and services, your abilities and efforts, and other factors. We offer substantially the same services to all franchisees. Additionally, all literature and marketing materials we have developed are available to all franchisees. Your annual gross sales, sales per transaction, expenses, and closing rate may be directly affected by the amount, type, and effectiveness of the business development efforts you conduct. However, those efforts must comply with the standards and guidelines we have outlined in the Manual or otherwise.

D. Employees

As part of the survey, we asked our franchisees how many employees were employed in their Franchised Business and received the following responses:

EMPLOYEES	% FRANCHISEES
Sole owner/operator	16
Partnership including with Spouse	0
One additional employee	67
Two additional employees	17

The franchisees with additional employees reported that they held the following positions:

POSITION	% ADDITIONAL EMPLOYEES
Installers	70
Salespersons	8
Administrators	14
Management	8

E. Years In Business

As part of the survey we asked our franchisees how long they had operated their Franchised Businesses.

YEARS IN BUSINESS	% FRANCHISEES
1-2	18
3-4	27
5-6	9
7-9	45

F. Product Category

As part of the survey we asked our franchisees about the allocation of sales by product category. On average, the respondents’ sales were allocated 59% to in-home cabinets, 23% to flooring and 18% to garage cabinets.

G. Average Sale Amount

As part of the survey, we asked our franchisees for their average sale amount. The average of all responses was \$3,566.

H. Commercial Space

As part of the survey, as asked our franchisees about the type of commercial space they operated from and received the following responses:

TYPE OF SPACE	% FRANCHISEES
Warehouse	95
Office	1
Showroom	4

I. Average Number of Months Business Shut Down Due to COVID-19

As part of the survey, we asked our Canadian franchisees how many months their businesses were shut down due to COVID-19. The average of all responses was 2 months.

Important Disclaimers

- **Your financial results may differ from the results shown above.**
- The sales levels and expenses reflected in this historical survey are historical in nature and not to be interpreted as a projection. Therefore, they should not be considered as the actual or potential sales or expenses that will be realised by you or any franchisee.
- We do not represent, warrant or guarantee that you will do as well or that you will derive income that exceeds the initial payment for or investment in a Tailored Living® franchise.
- We do however believe that the assumptions and bases underlying the sales levels and expenses reflected in this historical survey, its preparation and presentation, are reasonable, though unverified.
- Nevertheless, your success will depend largely on your ability, and your individual financial results are likely to differ from the information described above.
- If you accept our numbers, you must accept the risk that you will not do as well.
- Substantiation of these amounts is available for inspection upon reasonable request at our corporate offices at 19000 MacArthur Blvd, Suite 100, California 92612 (although we cannot reveal the sales volumes or expenses of identifiable franchisees).
- Further, we do not represent that you may or will derive income from a franchise we grant that exceeds the initial payment for or investment in the franchise agreement.
- Once again, if you receive any other financial performance information or projections/claims of your future income, you should report it to our management by contacting Heather Nykolaychuk at 19000 MacArthur Blvd, Suite 100, California 92612, telephone (949) 404-1100.

- We urge you to consult with appropriate financial, business, and legal advisors to evaluate the information presented in this Item 12.

Note to Franchise Transferees

The selling franchisee may provide you with actual financial records of the Franchised Business you are purchasing, including financial statements, and information with respect to past sales volumes and costs. We make no representations, conditions, warranties or guarantees about the accuracy or completeness of such information and we encourage you to consult with your professional advisors when reviewing same.