

ITEM 6. OTHER FEES

TYPE OF FEE¹	AMOUNT	DUE DATE	REMARKS
Royalty ²	<u>Monthly Payment</u> \$300 – months 1-6 \$700 – months 7-12 \$1,100 – months 13-24 \$1,500 – months 25-36 \$2,000 – months 37 and later	Funds drawn on the 15 th of the month, in advance.	May be increased on April 1 annually by CPI.
National Advertising Fund Payment ³	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 the month for the preceding month. Funds drawn on the 15 th of the month, in arrears.	See Item 11.
Technology Fee ⁴	Currently \$300 per month, may be adjusted.	Same as royalty.	Intended to partially reimburse us for costs of technology platforms and tech support.
Training for Additional Personnel	First 2 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.	
Additional Territory Fee	An amount equal to the then-current initial Territory Fee if you buy an additional territory in the future.	When you purchase additional territories.	Availability of additional territories is at our discretion.
Key Account Referral Fees ⁵	We negotiate each program individually with the Key Account.	No more often than monthly.	We may charge you referral fees or a percentage of the job in exchange for Key Account leads. You may opt out of servicing any Key Account.
Encroachment Payment	100% of your gross sales in another franchisee's territory.	When you make sales in another franchisee's territory in violation of your franchise agreement.	As an alternative to termination of your franchise for operating in another franchisee's territory.

TYPE OF FEE¹	AMOUNT	DUE DATE	REMARKS
Fees on Transfer ⁶	If selling to a new franchisee, \$19,950 initial franchise fee with first territory plus \$5,000 transfer fee for each additional territory. If selling to an existing franchisee, \$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-applicable lead referral fee, currently \$15,000 plus the amount of any broker fees that we must pay a third party (not an employee of ours).	On a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you and the buyer began discussing a sale.	Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.
Renewal Fee	\$5,000	When you sign a renewal franchise agreement.	
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.
Convention Fee	Currently \$720 plus travel, accommodation and some meals. Fee will vary depending on venue and location but will not exceed \$1,500 annually.	Same as royalty. Paid in monthly installments in advance. Travel, accommodation and meals are due as required by service providers.	
Optional Meetings and Trainings	As determined by us, but generally \$100 to \$1,500 depending on venue and mode of delivery plus travel, accommodation and some meals.	By registration date. Travel, accommodation and meals are due as required by service providers.	
Additional Training Requested by You	Currently \$500 per day, plus travel and expenses.	Immediately after notice from us.	Paid to us if, at your request, we send one of our staff members to the Franchised Business to provide further assistance. We will charge you a daily

TYPE OF FEE¹	AMOUNT	DUE DATE	REMARKS
			rate for that assistance, plus travel expenses for our employee.
Audit	Cost of inspection or audit.	Upon demand.	If audit is required due to your failure to report or your records and procedures are insufficient to determine Gross Revenue, or audit reveals Gross Revenue is understated by 5% or more 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.	Upon demand.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Costs and Attorneys' Fees	Varies	Upon demand.	If you breach the franchise agreement and we prevail in any arbitration or litigation, you will owe us our reasonable attorneys' fees and costs.
Indemnification	Varies	Upon demand.	You must reimburse us for costs and expenses related to certain claims against us.

1. All fees are imposed and collected by and payable to us. Upon our written request, you must sign any document we require to authorize us to withdraw continuing royalties, National Advertising Fees and any other ongoing fees directly from your bank account. All fees are nonrefundable. All fees in our current offering are uniformly imposed, however, TAILORED LIVING[®] franchisees who convert to the new TAILORED LIVING[®] and PREMIERGARAGE[®] franchises under the separate conversion offering described in Item 1 of this disclosure document will pay continuing royalties, National Advertising Fees and Technology Fees that are, in the aggregate, no higher than the continuing royalties payable under their former TAILORED LIVING[®] franchise agreement.
2. If you purchase your business from an existing TAILORED LIVING[®] franchisee who acquired the Territory under the selling franchisee's first franchise agreement with us, you will pay the royalty paid by the former franchisee instead of the amount described in this section. Your royalty payment will thereafter increase according to the schedule in the

"Amount" column.

If you purchase your business from an existing TAILORED LIVING® franchisee who acquired the Territory under the selling franchisee's second or subsequent franchise agreement with us and, as a result, the selling franchisee was paying Royalty at the discounted rate then applicable to second and subsequent territories, you will pay the amount of Royalty applicable to an initial Territory. Your commencing Royalty tier will be that applicable to the number of months from the commencement of the selling franchisee's franchise agreement at the time of the sale to you.

No phase-in will apply upon renewal.

3. Gross Revenue is defined in the franchise agreement and includes the total of your Gross Revenue for each separate franchised territory you own and includes sales in Gray Areas. If you have more than one franchise agreement with this Royalty schedule, Gross Revenue is averaged across all of your territories (including sales in Gray Area) for purposes of this calculation. For example, if you have two territories, the Gross Revenue for both of your territories is added together and divided by two to arrive at the average Gross Revenue for each territory.
4. Currently, the Technology Fee pays for the D'Vinci design software. The D'Vinci design software will be replaced by a new proprietary design software program (the "Design Software") referred to in § 8.17 of the Franchise Agreement. When the Design Software is implemented, a Design Software Fee will become payable. See § **Error! Reference source not found.** of the Franchise Agreement.
5. Although the amount may vary, you may be required to pay a fee or a percentage of the job for lead referrals. Lead referral fees vary from program to program.
6. If you are selling to a new franchisee, the initial franchise fee of \$19,950 is for the full Start-Up Package (i.e., van wrap, samples, etc.) and initial training.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee ¹	\$19,950	Lump sum or financed	When you sign the franchise agreement	Us
Initial Territory Fee ²	\$55,000	Lump sum	When you sign the franchise agreement	Us
Travel and Living Expenses While Training ³	\$1,000 - \$1,500 per person	As incurred	During Training and during first 3 months after opening	Restaurants and other third parties
Office/Warehouse ⁴ (Deposit and 3 months rent)	\$3,000 - \$9,500	Several payments	When you sign the lease and monthly	Landlord
Vehicle ⁵	\$10,000 - \$55,000	Buy, lease or finance	Upon opening	Vehicle lessor or dealer
Trailer ⁶	\$0 - \$10,000	Buy, lease or finance	Upon opening	Trailer lessor or dealer
Forklift ⁷	\$1,990 - \$16,425	Buy, Lease or Finance	Upon opening	Vendor
Computer Equipment ⁸	\$1,500 - \$2,500	Lease, finance or lump sum	Upon acquisition	Vendor
Credit Card Processing Technology	\$30 - \$500	Lump sum	Upon opening	Vendor
Auto Insurance ⁹	\$500 - \$2,400	Lump sum or monthly installments	Before opening and during the year	Insurance company or broker
Commercial General Liability Insurance ¹⁰	\$500 - \$2,400	Lump sum or monthly installments	Before opening	Insurance company or broker
Contractor's License and Bond ¹¹	\$0 - \$1,500	Lump sum	As required by applicable law	Bonding or insurance company, Government agencies
Professional Fees	\$750 - \$1,500	As incurred	As incurred	Your attorney, accountant and business advisor
Initial Marketing	\$10,000 - \$15,000	As incurred	During first 3 months after opening	Media, agencies
Initial Inventory ¹²	\$10,000 - \$12,000	As negotiated	Before opening	Vendor
Additional Tools and	\$16,000 - \$28,500	Lump sum	Before opening	Vendor

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Supplies ¹³				
Additional Funds - Before Opening and First 3 Months ¹⁴	\$55,000 - \$65,000	As incurred	As incurred	Various
TOTAL ESTIMATED INVESTMENT FOR SINGLE TERRITORY	\$185,220-\$298,675			

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

1. Payable only with your first franchise agreement. The Initial Franchise Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5.
2. If you are buying your Territory from us rather than from an existing franchisee, when you sign a franchise agreement you must pay us either: (a) an Initial Territory Fee of \$55,000; or (b) an Additional Territory Fee of \$55,000; or (c) if you are buying your first two Territories simultaneously, an Initial Territory Fee of \$55,000 and a discounted Additional Territory Fee of \$45,000, for a total of \$100,000. If you buy a second Territory at a later time, the Additional Territory Fee will be the same as the then-current Additional Territory Fee. The Initial Territory Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5.
3. Training consists of a combination of 10 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. We provide a travel voucher of \$1,000 to attend Academy training. Our estimate is for your costs in excess of \$1,000. You must pay any additional costs of transportation, lodging and meals in excess of \$1,000 that you and your employees incur during Academy training as well as any wages of your employees for their time during training.
4. You must obtain commercial office/warehouse premises from which to operate your business because you will need workspace and inventory storage facilities. Your facility will need roll-up doors and be located in an area where you may receive deliveries from large semi-trailer vehicles.
5. This is a new or used white box van 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 Marks are placed. The vehicle may be bought or leased but you should not purchase your vehicle for cash unless you will still have at least that

same amount available as additional working capital to operate your business. We give you the wrap as part of the start-up package and you pay to have it installed on your vehicle by a vendor of your choosing. Alternatively, instead of a box van, you may choose to use a trailer and lease, finance or purchase a minimum $\frac{3}{4}$ ton towing vehicle, either a pickup truck with an 8 foot bed and utility shell, or a cargo van, 5.7L engine size or better. From time to time your affiliation with HFC may allow for discounts on these vehicles and our recommendation is to check with your Regional Operations Manager before purchasing or leasing.

6. 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.
7. Purchase or lease of a forklift is required. Low figure is the purchase price of a reconditioned unit and high figure is the price of a new unit. If you wish to finance the forklift, you should check the availability of financing and its cost in your area.
8. This is a laptop computer. A minimum 14-inch screen with high resolution is recommended. Windows operating system is required for compatibility with required software.
9. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$1,000,000. We must be named as an additional insured.
10. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$2,000,000. We must be named as an additional insured.
11. A contractor's license and bond are required only in States that require a contractor's license.
12. 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 Start-up package, we give you some of the items included in this category at no additional charge. For a complete description of the contents of the Start-up Package, please see Item 11. We only provide a Start-up Package if you are purchasing your first

territory from us or an existing franchisee. We do not provide additional samples and sample books when you sign a subsequent franchise agreement. If you want more or additional sample sets from other approved suppliers or samples of other products, you must obtain them from the supplier.

14. This category estimates an additional cash reserve available to cover initial operating expenses during the first three months of operation. The amount of additional funds that you may need varies based on a variety of factors, including whether you choose to have an office outside your home, the number of employees you choose to hire and the salary and other benefits you choose to pay, gasoline purchases and vehicle maintenance expenses, the extent to which you are actively involved in operating your business, your skill, experience and business acumen, local competition, local economic conditions (including rent and wage scales and the cost of supplies), and the actual sales levels that you reach during the initial 3-month period. We have based this estimate on the experience of our United States franchisees. The "Additional Funds" category is not the only source of cash, but is in addition to cash flow from operations. We cannot estimate your cash flow from operations and encourage you to contact our existing franchisees to evaluate this on your own.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following is historical financial information concerning the unaudited reported annual sales of a subset of our existing outlets, namely, those franchisees who reported gross sales and who were open for business for all of calendar year 2021 (40 single territory franchisees and 32 multiple territory franchisees, representing an aggregate total of 148 territories, or all but three of the territories open for all of 2021).

A. Annual Sales Levels

The following table shows unaudited annual gross sales reported by franchisees with a single territory and with multiple territories, that were in business throughout calendar year 2021. Figures for franchisees that had multiple territories are total sales for all territories – not average per territory – and if a franchisee's additional territory opened during 2021, the total sales do not represent a full year of sales for the additional territory. All gross sales figures are presented without regard to the size of the territory. Although we currently grant territories that include approximately 100,000 households, not all territories are that size. These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

During 2021 there were 40 reporting franchisees who operated a single territory throughout the year, and 32 reporting franchisees who operated multiple territories each throughout the year. The average number of multiple territories owned by these franchisees was 3.4.

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	2021	2020	NUMBER OF FRANCHISEES/ TERRITORIES REPRESENTED	EXPLANATION
Average Sales – One Territory	\$697,305	\$588,139	40 franchisees/40 territories in 2021 41 franchisees/41 territories in 2020	Equals total sales by all franchisees owning one or multiple territories, divided by the number of franchisees with

MEASURE	2021	2020	NUMBER OF FRANCHISEES/ TERRITORIES REPRESENTED	EXPLANATION
Average Sales – Multiple Territories	\$2,233,436	\$1,790,277	32 franchisees/108 territories in 2021; 28 franchisees/102 territories in 2020	that number of territories. 12 or 30% of the single territory franchisees and 9 or 28% of the multiple territory franchisees attained or surpassed the stated average results for the year. The lowest amount reported for a single territory franchisee was \$133,060 and the highest was \$2,492,730. The lowest amount reported for a multiple territory franchisee was \$194,599 and the highest was \$11,914,594.
Median Sales – One Territory	\$432,661	\$363,627		Shows mid-point of annual sales by franchisees with indicated number of territories.
Median Sales – Multiple Territories	\$1,319,078	\$902,664		20 or 50% of the single territory franchisees and 16 or 50% of the multiple territory franchisees attained or surpassed the stated median results for the year.

The data below are as reported by a subset of franchisees who were open for all of 2021 and who responded to a survey that we conducted in February 2022 asking about their experiences during 2021. The survey was sent to all our franchisees who were open for all of 2021, and 55 franchisees (70% of the franchisees open for all of 2021) representing 96 territories (64% of the territories operated by franchisees open for all of 2021) returned survey responses. Twenty three (23) franchisees (30% of the franchisees open for all of 2021) representing 55 territories (36% of the territories operated by franchisees open for all of 2021) did not respond to the survey for 2021. 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 franchisees to report their experiences concerning average cost of goods sold (that is, the cost to franchisees of space organizers sold by the franchisees) as a percentage of the price at which the franchisees sold those same space organizers to their customers. According to that survey, the average cost of goods sold was 45% of the gross

(retail) sales price. We have not independently verified this amount, but that figure is consistent with information concerning suggested mark-ups that is discussed during franchisee training classes. 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 space organizers, your abilities and efforts, and other factors.

In addition to the cost of goods sold, you will also incur other expenses that are not included in this calculation, such as monthly payments (lease or financing) for the required van, labor costs for anyone you hire, rent for office/warehouse space, telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, state and local taxes, and financing expenses if you finance any part of your investment. 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.

Closing Rate

As part of the survey referred to above, we also asked our franchisees about their “closing rate” (that is, the number of sales calls that result in an actual sale). The average response was 62%. We have not independently verified this amount.

C. Average Sale

As part of the survey, we also asked our franchisees to tell us how much their average sale or “ticket price” was in 2021. The average was \$5,850. The median was \$5,415.

D. Product Mix

As part of the survey, we asked our franchisees about their percentage of volume for various product categories and received the following responses:

PRODUCT	%
Flooring	28
Garage cabinetry	33
In-home/Commercial cabinetry	39

E. 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	2
Partnership including with spouse	5
One additional employee	14

Two additional employees	14
Three additional employees	17
Four additional employees	10
Five or more additional employees	38

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

POSITION	% ADDITIONAL EMPLOYEES
Installers	55
Salespersons	14
Administrators	12
Management	19

F. Number Years In Business

As part of the survey we asked our franchisees how long they had been in business and received the following responses:

NUMBER OF YEARS IN BUSINESS	%
1 – 2	29
3 – 4	21
5 – 6	17
7 – 9	9
10 Plus	24

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

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

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