



THIRTY THREE THREADS, INC.

PRIVATE PLACEMENT MEMORANDUM

JUNE 27, 2023

PRIVATE PLACEMENT MEMORANDUM

Thirty Three Threads, Inc.

Offering of

Up to 3,636,363 Shares of Common Stock
For \$2.75 per Share

This Private Placement Memorandum (the “**Memorandum**”) describes the offering of Common Stock (the “**Shares**”) of Thirty Three Threads, Inc., a California corporation (the “**Company**”). The Company is offering up to 3,636,363 shares at a purchase price of \$2.75 per Share.

**This offering involves a high degree of risk.
You should purchase Shares only if you can afford a complete loss.
See “Risk Factors” beginning on page 12.**

**There is no public market for the Shares. You must be prepared to bear the economic risk of an investment in the Shares for an indefinite period of time.
This private placement is limited to accredited investors only.
See “Investor Suitability Requirements” on page 33.**

CONTACT:

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The date of this Private Placement Memorandum is June 27, 2023.

The Shares are being offered to Accredited Investors in reliance upon exemptions provided by Rule 506(c) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). The Shares are not available for purchase by any person other than the person to whom this Memorandum is addressed and the purchase thereof is subject to the terms herein. This Memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any state or in any other jurisdiction in which such an offer or solicitation is not authorized.

The Shares have not been registered under the Securities Act or any other securities laws. The Shares have not been approved or disapproved by the Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of these authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Memorandum. Any representation to the contrary is unlawful. The Shares are subject to restrictions on transferability and resale and may not be transferred in the absence of an effective registration statement under the Securities Act and any applicable state securities laws or any exemption therefrom. All investors will be required to understand that they will not resell the Shares except in a transaction which does not require registration under the securities act, or other applicable law, as confirmed by an acceptable legal opinion, if such legal opinion is required by the company.

The Shares offered hereby will bear a legend describing the foregoing restrictions.

No person has been authorized to make any representations or give information with respect to the company or the offered Shares, except the information contained herein. Prospective investors should not rely on any information not contained in this memorandum. Representatives of the company will be available to discuss with prospective investors, on request, the information and projections contained herein.

You must rely on your own examination of us and the terms of this offering, including the merits and risks involved in making an investment decision with respect to the Shares. Provisions of various agreements and other documents are summarized in this Memorandum, but you should not assume that the summaries are complete. These summaries are qualified in their entirety by reference to the complete texts of these agreements and other documents. Prior to making an investment decision regarding the Shares, you should consult your own counsel, accountants and other advisors and carefully review and consider this entire Memorandum.

Prior to your purchase of Shares, you will have the opportunity to ask questions of, and receive answers from, one of our representatives at our principal office during business hours, concerning the terms and conditions of this offering and to obtain any additional information which we possess or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished in this Memorandum. If you wish to obtain any such information, please contact Kaila Harter at (760) 734-6920.

The price of the Shares has been determined by the company based on its evaluation of similar companies and their public or private share price, value at the time of sale, or other valuation methods, and does not necessarily bear any relationship to the assets, book value, or potential performance of the company or any other recognized criteria of value.

You should not construe any statements made in this Memorandum as tax or legal advice. You and your investment, tax or other advisors, accountants and legal counsel, if any, should review this Memorandum and its exhibits.

The information contained in this Memorandum is confidential and proprietary to us and is being submitted to you solely for your confidential use with the express understanding that, without our prior express written permission, you will not release this Memorandum or discuss the information contained in it or make reproductions of or use this Memorandum for any purpose other than evaluating a potential investment in the Shares.

The sale of the Shares are subject to the terms of the Subscription Agreement and Shareholders Agreement. You should not purchase Shares unless you have completely and thoroughly reviewed the provisions of the Subscription and Shareholders Agreements. In the event that any of the terms, conditions or

other provisions of the Subscription or Shareholders Agreement or other related agreements are inconsistent with or contrary to the information provided in this Memorandum, the Subscription and Shareholders Agreement will control.

We reserve the right, in our sole discretion and for any reason, to change and/or withdraw some or all of this Offering and/or accept or reject some or all of any prospective investment in the Shares or to allot to you less than the number of Shares that you desire to purchase. We will have no liability to any investor or recipient of this Memorandum in the event that we take any of these actions.

NO TRADING MARKET IS EXPECTED TO DEVELOP FOR THE SHARES. SUBSTANTIAL RESTRICTIONS WILL BE IMPOSED ON ANY SALE OR TRANSFER OF ANY OF THE SHARES OFFERED HEREBY. SEE “RISK FACTORS – RESTRICTIONS ON TRANSFERABILITY.”

The Offering is being made directly by the Company through the efforts of its principals, and has been undertaken without the assistance of any broker or sales agent.

SUMMARY

The following summary highlights information contained elsewhere in this Memorandum. You should carefully read the entire Memorandum, especially the section entitled "Risk Factors" below, before you decide to invest in the Shares.

Company Structure.....	Thirty Three Threads, Inc (the "Company") is a California corporation which was formed in 2004 by Joe Patterson ("Joe") as ToeSox, Inc. Joe acts as Chairman of the Board. In 2013, Barry Buchholtz ("Barry") joined the Company and now acts as a Board Member and Chief Executive Officer. Joe and Barry may be referred to herein as the "Founders". In 2015, the Company changed its name to Thirty Three Threads, Inc. to better represent its expanded product line and multi-brand strategy. The Company has 50,000,000 shares of Common Stock and 2,594,861 shares of Series A Preferred Stock authorized (collectively common and preferred shares are referred to as the "Capital Stock"), and 14,084,464 of Common Stock and 2,594,861 of Series A Preferred Stock issued and outstanding prior to this Offering.
Offering.....	The Company is seeking to raise up to \$10,000,000 through the sale of up to 3,636,363 Shares at a price of \$2.75 per Share (the "Offering"). The minimum purchase is 10,909 Shares or \$29,999. An initial closing can be held as soon as the Company sells Shares to an Investor.
Offering Period.....	The Offering will commence on June 27, 2023 and will terminate on the date at which all 3,636,363 Shares have been sold, on June 30, 2025, or the date at which the offering is earlier terminated by the Company.
Plan of Distribution.....	The Company is offering the Shares on a best efforts basis and there is no assurance that 3,636,363 Shares will be sold. There are no brokers involved in the sale of the Shares and, therefore, we have no obligation to pay sales commissions or placement fees in connection with this Offering.
Securities Outstanding Before and After the Offering.....	<p><u>Before the Offering:</u> The Company has 14,084,464 Shares of common stock outstanding which are owned by the Founders and investors who participated in various equity raise rounds. The Company also has 2,594,861 shares of Series A Preferred Stock outstanding. Additionally, the Company has issued 3,281,466 options in accordance with its Stock Option Plan. The Company has an Evergreen provision in its Stock Option Plan which allows the Board of Directors and Management to issue options each year to its Employees in accordance with the Stock Option Plan. In addition, the Company has issued 187,814 warrants in accordance with a financing agreement that have not been exercised, For details, see "Security Ownership of Management and Certain Security-holders and Indebtedness."</p> <p><u>The Offering:</u> The Company is offering up to 3,636,363 Shares to Investors. There is no minimum number of Shares to be sold in the Offering. Upon signing of all required documentation and depositing funds, the Company's agent, DealMaker, will hold the funds in a Stripe Connect Account and the funds will not be released to the Company until the Subscription Agreement has been countersigned by the Company. The Company will not countersign the Subscription Agreement until the Investor's status as an accredited investor has been verified by DealMaker. Once the Subscription Agreement has been countersigned by the Company, the funds will be released to the Company for its use.</p>

If the Offering is fully subscribed, the Company will have a total Capital Stock of 20,315,688 issued and outstanding and 23,784,968 on a fully diluted basis.

Following the Offering: If all 3,636,363 Shares are sold, the Investors from this private placement will own approximately 15.18% of the Company's issued and outstanding Capital Stock and the Founders will together own 53.60% of the Company's issued and outstanding Shares. These Share totals exclude outstanding options and warrants.

Use of Proceeds.....	The Company has a number of uses for the Offering proceeds which are outlined below. Some of these uses will be prioritized over others based on the amount of, and timing of funds raised in this Offering.
Investor Suitability.....	Only Investors who are accredited investors, as defined in Regulation D under the Securities Act, are permitted to subscribe to this Offering. Each Investor must execute a Subscription Agreement and a Shareholders Agreement.
Board of Directors/Management.....	The Company's Bylaws provide that there are five members of the Board of Directors, of which one Director is elected by the owners of the Series A Preferred shares and is currently Kurt Hanson, Managing Director of Black Oak Capital ("Black Oak"). Kurt also acts as the Chairperson of the Compensation Committee. Joe Patterson is the Chairperson of the Board of Directors. Joe and Barry are both on the Board of Directors and a voting agreement exists between the two in which their shares shall be cast for each other for the purposes of electing Board Members. DeeDee Wilson acts as a member of the Board of Directors and Chairperson of the Audit Committee. Barry is the Chief Executive Officer of the Company.
Restriction on Disposition of Shares	The Investor's ability to sell or transfer Shares is significantly restricted under federal and state securities law and under the Subscription Agreement and the Shareholder Agreement. SEE RISK FACTORS.
Risk Factors.....	The Shares offered hereby are highly speculative and involve a high degree of risk and should not be purchased by anyone who cannot afford the loss of his or her entire investment. Prospective investors should carefully review and consider the factors set forth in the section of this memorandum titled "RISK FACTORS", as well as the other information contained herein, before subscribing for Shares.
Shareholder Agreement.....	All Company shareholders, including any Investor in this Offering, must become a party to the Company's Subscription and Shareholder Agreement. There are different Shareholders Agreements in place for shares sold prior to the current raise. The current Shareholder and Subscription Agreements are attached to this Memorandum as <u>Exhibit A</u> .

USE OF PROCEEDS

The Company is seeking up to \$10,000,000 through the sale of 3,636,363 Shares in order to fund the expansion of the Company and our use of Offering Proceeds may include but shall be not be limited to:

- Expansion of the ToeSox, Tavi, Base33, and Vooray distribution globally;
- Expansion of the the Tavi apparel line;
- Expansion of the the Vooray bag line;
- Expansion of marketing efforts to consumers; distributors, key accounts, and studios to increase sales to customers;
- Sale and marketing of the brands and their products;
- Paying of certain obligations of the company;
- Development of new products;
- Potential acquisitions of new brands or businesses;
- Hiring additional staff including sales, marketing and administrative staff as needed; and
- General working capital.

Some of these uses may not occur or may be delayed, depending upon the timing and successful completion of the capital raise. We are able to allocate the Offering proceeds among these and other uses in our sole discretion.

The Company reserves the right to change the above use of proceeds if management believes it is in the best interest of the Company.

COMPANY SUMMARY

References in this Memorandum to “we,” “our,” “us,” “ToeSox”, “TAVI”, “Base33”, “Vooray”, and “Thirty Three Threads” refer to Thirty Three Threads, Inc.

We incorporated as ToeSox, Inc. in California in 2004 by Joe Patterson, the Chairman. The Company changed its name to Thirty Three Threads in 2015 to broaden its market identification when it acquired a second sock brand, TAVI. Thirty Three Threads designs, develops, has produced, and distributes various apparel and accessory products such as socks, apparel, and bags under its four brands ToeSox, TAVI, Base33, and Vooray. The Company primarily sells its products to fitness studios, retailers, and distributors who sell directly or indirectly to consumers. The company has a June 30 fiscal year end. Internal unaudited revenue for the the nine months ending March 31, 2023 was \$ 22,435,919 as compared to \$17,197,206 for the same period in the prior year. Internal unaudited pre-tax profit (loss) for the nine months ending March 31, 2023 was \$182,365 as compared to (\$715,920) for the same period in the prior year. Net revenues were \$23,369,002 and \$15,004,343 for the fiscal years ending June 30, 2022 (“audited FYE 2022”), and June 30, 2021 (“unaudited FYE 2021”) respectively. Net loss \$1,324,296 and \$1,592,175 for the fiscal years ending June 30, 2022 (“audited FYE 2022”) and 2021 (“unaudited FYE 2022”) respectively.

Our principal executive offices are located at 1330 Park Center Drive, Vista, California 92081. Our telephone number at that location is (760) 734-6920. Our website addresses are www.33threads.com, www.toesox.com, www.taviactive.com, www.base33.com, and www.vooray.com. Information on our website is not a part of this Memorandum.

The name “Thirty Three Threads” references the 33rd parallel, where San Diego is located. Our name echoes the spirit of the active lifestyle this area is so well known for. San Diego is our home, and it is here that our story and collection of specialty brands come to life. Our brands – ToeSox, TAVI, Base33, and Vooray – create products inspired by movement. Our products support each customer’s activity and style from sunrise to sunset, and our values are anchored in long-lasting premium quality, innovation and creativity.

Each of the four Thirty Three Threads brands offers multiple product categories. ToeSox offers grip, sport, casual, and dance socks, as well as accessories such as gloves and leg warmers. With TAVI, we sell grip, sport, and casual socks, as well as a line of women’s apparel. Base33 is our men’s line of grip and sport socks and gloves. Vooray

offers a wide variety of gym, sport, studio, leisure, and travel bags for both men and women that are geared towards a fashion forward consumer that wants a high-quality bag with innovative designs.

Our apparel is marketed as premium performance wear for the women's athleisure market. Our sock products are marketed not only as equipment for barefoot fitness, but also as premium fashion and lifestyle products. Our bags are marketed as premium athletic bags. When consumers use a Thirty Three Threads product, they're not just participating in the Thirty Three Threads lifestyle, they are treating themselves to a premium fashion product with the highest standards of quality and workmanship.

Joe Patterson, who serves as Chairman of the company's board of directors, founded Thirty Three Threads in August of 2004. Joe has deep experience developing new and innovative technical sock products. These include numerous products that have both utility and design patents, placing Thirty Three Threads in the sock, athleisure, and apparel markets with defensible intellectual property. In 2013, Barry Buchholtz joined the company as a Board Member and President to accelerate the overall growth of the company. In December of 2021, the Company's Board of Directors voted Barry to the position of Chief Executive Officer.

In 2019, the Company launched its line of TAVI athleisure apparel allowing it to utilize its extensive distribution network and brand recognition to enter the apparel market. Our efforts to enter the apparel market have been successful with approximately 21% of our revenue coming from the apparel during the nine months ending March 31, 2023.

In 2022, we acquired Vooray in order to expand our offering of fitness accessories to our customers and also enter the gym bag market. Vooray specializes in creating premium athletic bags for the fitness minded consumer. Through the combination of ToeSox, TAVI, Base33, and Vooray, Thirty Three Threads has created a multi brand and multi product supplier to the fitness, health, and wellness markets, offering a complete athleisure solution with premium products across several product categories. This has allowed us to expand our distribution in studios, gyms, department stores, sporting goods, and increase its revenue generated by direct ecommerce sales.

Additional information about the Company, our business plan, and our management team can be found in this Memorandum and the Brand Book, which can be found at: <https://indd.adobe.com/view/e9c9ef47-cb78-4276-a2db-3088888b39fc>. Our compiled unaudited financial statements for the fiscal year ending June 30, 2022 and our audited financial statements for the fiscal year ending June 30, 2021 as well as our internal unaudited financial statements for the nine months ending March 31, 2023 and March 31, 2022 (collectively, our "Financial Statements"), Exhibit B. Information in the Brand Book, our Financial Statements, and the Budget, including the forward-looking statements included therein, are incorporated by reference into this Memorandum and form a part hereof. Our Financial Statements for the nine months ending March 31, 2023 have not been reviewed or audited by an independent accounting firm, are subject to year-end adjustments. Information contained in the Budget involves forward-looking statements that inherently are based on assumptions, estimates and forecasts. Although we believe that these assumptions, estimates and forecasts are reasonable, it is likely that they ultimately will prove to be untrue and that as a result, our actual results may differ significantly from the budget. It is possible that those differences are material and may be substantially worse than we have estimated. You should not place undue reliance on these assumptions, estimates and forecasts in making a decision whether to invest in this Offering.

CAPITALIZATION

As of the date of this Memorandum, the Company was authorized to issue 50,000,000 shares of Common Stock and 2,594,861 of Series A Preferred Stock, of which 14,084,464 Shares of Common Stock are issued and outstanding prior to the Offering and 2,594,861 shares of Series A Preferred Stock are issued and outstanding. In addition, 3,281,466 options to purchase Common Stock have been issued to employees and 187,814 warrants to a lender. If the Offering is fully subscribed, there will be 20,315,688 shares of Capital Stock issued and outstanding and 23,784,968 shares of Capital Stock on a fully diluted basis.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS

The following table shows who owns over 20% of the Company's equity securities as of June 30, 2023:

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership(*)	Percent Voting Power
Joe Patterson	Common Stock	10,200,000	52.68%
Barry Buchholtz	Common Stock	3,811,500	19.68%

(*) Beneficial ownership assumes that all stock options have been exercised.

The Company also has 2018 and 2019 Stock Incentive Plans under which stock options have been and will continue to be awarded to employees, directors, and officers. Under the terms of the plan, the stock options are subject to vesting through meeting performance targets and/or the passage of time. There are 5,027,565 options to purchase shares of Common Stock authorized under the plans. There is an Evergreen provision in the Option Plan to allow for additional options to be authorized each year, up to 5% of the then number of outstanding shares of Common Stock at the discretion of the Board of Directors. As of June 30, 2023, there were 3,281,466 options outstanding. For a description of our Common Stock, see "Description of Securities," below.

DESCRIPTION OF SECURITIES

The following descriptions summarize important terms of our capital stock. This summary does not purport to be complete and is qualified in its entirety by the Amended and Restated Articles of Incorporation ("A&R AOP"), the Company's Bylaws (the "Bylaws"), our Shareholder Agreements, Voting Rights Agreement, Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement, each of which have been included in the exhibits to this Memorandum, and California General Corporation Law ("CGCL").

Common Stock

Voting

Holders of our Common Stock are entitled to one vote per share. There shall not be cumulative voting. For important information regarding voting and its impact on our Common Stock, see below "Series A Preferred Stock – Voting."

Dividends

Holders of our Common Stock are entitled to dividends if, as and when declared by the Company's Board of Directors, provided that the holders of our Series A Preferred Stock are previously or simultaneously paid dividends in an equal amount per share on an as-converted basis. For details, see "Series A Preferred Stock – Dividends." However, it is not the current expectation of the Company to pay dividends.

Liquidation Rights and Preferences

In the event of liquidation, dissolution or winding up of the Company, holders of our Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and any amounts due to the Series A Preferred Stockholders as described below. There are no redemption or sinking fund provisions or preemptive rights with respect to the Common Stock and the shareholders have no right to require the Company to redeem or purchase Common Stock.

Shareholder Agreement between the Company, Joe Patterson and Barry Buchholz

Voting Agreement between our CEO and Chairman of the Board

Under this Agreement, Joe and Barry have an obligation to vote all of their shares of Common Stock for the purpose of electing each other to the board of directors every year. This agreement also gives the Company a Right of First Refusal (“ROFR”) in the event a shareholder subject to this agreement wants to transfer their Common Stock. If the Company declines its ROFR, then any then-current holder of the Company’s Common Stock has the option to purchase the Common Stock.

Compensation Agreement

Joe and Barry currently receive the same compensation, and have agreed that they will continue to do so unless and until there is either an independent director who decides otherwise, or they mutually agree to be compensated otherwise.

Mandatory Repurchase of CEO and Chairman’s Shares upon Termination without Cause or upon Death or Disability

Upon termination of either Joe Patterson or Barry Buchholz without cause, the Company will have the obligation to purchase all of their shares, and they will be obligated to sell, at a per share price 1.5 times the net revenue of the Company during the preceding 12 months divided by the number of outstanding shares on a fully diluted basis. If the Company is unable to pay the entire purchase price in cash at the closing, the Company must pay at least 10% of the purchase price in cash and issue a note for the balance. The note shall be paid in five equal annual installments and shall accrue interest on the unpaid balance at a rate equal to the then published prime rate of Citibank, NA (“Prime Rate”), which interest rate shall adjust annually based upon the Prime Rate on such anniversary date.

The Company has purchased life and disability insurance policies covering Joe and Barry, and identifying the Company as beneficiary. In the event of the death or disability of either Barry and Joe, and the proceeds of such policies must be used for the repurchase of their Shares if either of them dies or becomes disabled. If the repurchase The value of the Shares will be determined using the same formula as described above in the event of termination without cause. If the repurchase is triggered by a death, and the policy proceeds are not sufficient to pay the entire purchase price, the Company shall issue a note for the balance payable in 10 equal annual installments. If the repurchase is triggered by disability, and there is no disability insurance, or the purchase price exceeds the value of the policy proceeds, the Company shall pay at least 10% of the purchase price in cash and issue a note for the balance payable in 5 equal annual installments. All notes issued will be at Prime Rate adjusted annually.

Drag-Along Right

Joe Patterson has the right under this Agreement to require each subject shareholder to sell their shares in the same percentage as Joe Patterson in a “Drag Transaction,” which is defined as a sale to a person who is not a permitted transferee. If the Drag Transaction is a merger, consolidation, or other similar transaction subject shareholders agree to vote their shares in favor of the transaction and waive dissenters’ rights. This Agreement also confers a “tag along” right permitting subject shareholders to sell their shares along with Joe Patterson in a contemplated sale to a person who is not a permitted transferee.

Right of First Refusal

This Agreement also gives the Company a Right of First Refusal (“ROFR”) in the event a shareholder who is a party to this Agreement wants to transfer their Common Stock. If the Company declines its ROFR, then any then-current holder of the Company’s Common Stock has the option to purchase the Common Stock.

Shareholder Agreement between the Company and Sellers of Vooray International, Inc.

Voting Rights Agreement

Under this agreement, the sellers of Vooray International, Inc. (“Vooray”) agree to vote their 250,000 shares of Common Stock, which were acquired in connection with the sale of Vooray to the Company, in favor of any increases to the number of authorized shares of Common Stock.

Right of First Refusal between the Company and Vooray International, Inc.

The Company has a right of first refusal (“ROFR”) to purchase any of the 250,000 shares of the Company’s Common Stock purchased by the sellers of Vooray in connection with the Company’s acquisition of Vooray. The Company’s ROFR does not apply to transfers by an entity to its stockholders, members, partner or other equity holders or, in the case of an individual, in connection with bona fide estate planning. Transferees will be required to execute this agreement in the event of a permitted transfer, which also requires the Company’s written consent.

2023 Shareholder Agreement

In order to participate in this Offering, investors will be required to execute the Company’s 2023 Shareholder Agreement a copy of which is provided herein.

Series A Preferred Stock

Voting

Pursuant to our Amended and Restated Articles of Incorporation (“A&R AOI”) and a Voting Agreement between the Company and purchasers of our Series A Preferred Stock, holders of our Series A Preferred Stock are entitled to vote on an as-converted to Common Stock basis. Except as provided by our A&R AOI, our Voting Rights Agreement with holders of our Series A Preferred Stock, and California law, our Series A Preferred Stock votes together with the Common Stock as a single class. For details, see “Conversion to Common Stock,” below. The Series A Preferred Stock have other rights as outlined below as well as in the Company’s Amended and Restated Articles of Incorporation.

Election of Directors

Holders of our Series A Preferred Stock are entitled to elect one director as a separate class. The remaining four directors will be elected by all shareholders, including the holders of our Series A Preferred Stock, voting as a single class with our Common Stock on an as-converted basis.

Dividends

Holders of our Series A Preferred Stock are entitled to dividends on an as-converted basis prior to, or simultaneously with, dividends payable to holders of our Common Stock or class of securities convertible into Common Stock.

In the event the board of directors declares a dividend on any class of securities that is not convertible into Common Stock, holders of Series A Preferred Stock shall be entitled to prior or simultaneous dividends in a per share amount equal to the product of the Original Issue Price and the quotient of the amount of dividend declared by the board divided by the original issue price of that class of securities (subject to appropriate adjustments for such class of securities). The “Original Issue Price” is \$1.61 subject to appropriate adjustment in the event of any stock dividend,

stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock (collectively, “appropriate adjustments”).

If there are multiple dividends paid at the same time, the Series A Preferred Stock are entitled to the amount that would result in the highest dividend per share.

Conversion to Common Stock

Our Series A Preferred Stock converts to Common Stock at the option of the holder, without payment of additional consideration, in an amount equal to the Original Issue Price divided by the Series A Conversion Price, which initially shall be one-for-one. The "Conversion Price" is initially shall be \$1.61 per share as is subject to appropriate adjustment as well as adjustments for weighted average anti-dilution protections.

Liquidation Preferences

Holders of our Series A Preferred Stock are entitled to preferential payments in the event of our liquidation, dissolution or winding up, or in the event of a Deemed Liquidation Event (defined below), of the Company in an amount per share equal to 1.67 times the Original Issue Price plus any unpaid dividends. After the preferential payment, holders of our Series A Preferred Stock are entitled to participate in the distribution of any remaining assets pro rata with the Common Stockholders on an as-converted basis.

In the event the Company lacks sufficient assets to pay the holders of Series A Preferred Stock the full amount they would be entitled to receive, the Company shall pay ratably in proportion to the amounts otherwise payable.

Unless a majority of the outstanding shares of the Series A Preferred Stock elects otherwise, a “Deemed Liquidation Event” is a merger or consolidation in which the Company’s capital stock represents less than a majority of voting power or a sale or series of related transactions involving the sale of all or substantially all of the Company’s assets. If the Deemed Liquidation Event does not effect a dissolution of the Company within 90 days, the holders of the Series A Preferred Stock may require the Company to redeem the Series A Preferred Stock.

Protective Provisions

As long as the Series A Preferred Stock remain outstanding, including shares that have been converted to Common Stock, the Company must first obtain the consent of all of the directors before engaging in the following:

- A material acquisition involving the affirmative vote of at least 80% of holders of the Common Stock and Preferred Stock voting together as a single class on an as-converted basis;
- Incur debt in excess of an aggregate amount of \$1,700,000 involving a pledge of the Company’s assets as collateral;
- Amend, alter or repeal any provision of the A&R AOI or the A&R Bylaws;
- Authorize any class of securities, or reclassify any class of securities, to give that class of securities rights, preferences or privileges senior to or on parity the Series A Preferred Stock;
- Purchase, redeem or declare dividends, including the repurchase of Common Stock held by employees, officers, directors or consultants up to an aggregate of 5% of outstanding capital stock;
- Authorize any debt securities;
- Hold capital stock in a subsidiary that is not wholly owned;
- Increase or decrease the authorized number of directors constituting the board of directors;
- Initiate or settle lawsuits, claims or other legal proceedings in excess of \$50,000;
- File for bankruptcy or other insolvency proceedings; and
- Loan amounts in excess of \$10,000 or guarantee the indebtedness of any other person.

Investor Rights Agreement for Holders of Our Series A Preferred Stock

Under the Investors’ Rights Agreement, the Company must obtain the affirmative vote of all of the directors, including the Black Oak director, in order to engage in certain transactions, including any material acquisition, incurring certain additional indebtedness, or make any material change in the primary business of the Company.

The Investors' Rights Agreement also contains a registration rights provision and an antidilution provision that ensures Black Oaks' percentage of ownership of the Company is not diluted by offering Black Oak a right of first offer in the event the Company proposes to offer or sell any new securities.

Right of First Refusal and Co-Sale Agreement Between the Company and Holders of Our Series A Preferred Stock

Under the Right of First Refusal and Co-Sale Agreement, Joe Patterson or Barry Buchholtz must first offer to sell their shares to the Company on the same terms and conditions as those offered to the prospective purchaser. If the Company does not purchase the shares, then Black Oak has a second right of refusal on the same terms. If neither the Company nor Black Oak exercise their right to purchase the shares, then Black Oak may exercise its right of co-sale and participate on a pro rata basis in the proposed sale.

Warrants

Warrants have been issued to certain officers and shareholders who formed Financing Group Corporation ("FGC") for the purpose of loaning the Company \$1,140,000. The 187,814 Warrants give the holders the right to purchase Common Stock at an exercise price of \$0.50 and expire on March 17, 2029.

DIVIDENDS AND DISTRIBUTIONS

Dividends are at the sole and absolute discretion of the Company. Shareholders will be entitled to receive dividends if and when declared by the Company out of funds legally available for such purpose. Since the Company intends to continue to retain a substantial portion of its earnings, if any, to fund the development and growth of its business, the Company has no current plans to pay any cash dividends on its Shares.

Any dividend policy of the Company will depend upon its debt and equity structure, earnings, need for capital in connection with its operations or in connection with possible future acquisitions and other factors, including economic conditions. No assurance can be given that dividends in future periods will, in fact, be paid to the shareholders or, if paid, that such dividends will not later be reduced or eliminated.

GENERAL TAX CONSIDERATIONS

The Company is a C-corporation and therefore there are no pass through tax obligations to the shareholders.

The Company currently has not booked any asset related to a net operating loss carryforward which may be available and could be used to offset future tax obligations.

RECENT OFFERINGS OF SECURITIES

We have made the following issuances of securities within the last four years:

Black Oak Debt and Purchase of Series A Preferred Stock

- In October 2019, the Company entered into a Senior Subordinated Credit Agreement with Black Oak Capital ("Black Oak") involving \$1,000,000 plus warrants to purchase the Company's Common Stock at \$0.0006 per share. The offering was made in reliance on Rule 506(c) of Regulation D.
- In October 2020, the Company increased the amount of debt under the Agreement \$1,500,000 and added the right to convert the debt to Series A Preferred Stock in a series of three tranches, which was based on achieving performance criteria, all of which was converted. The conversion of debt to Series A Preferred Stock was made in reliance on Section 4(a)(2) of the Securities Act.
- On November 24, 2020, the Company entered into the Series A Preferred Stock Purchase Agreement in reliance on Rule 506(c) of Regulation D with Black Oak for the purchase of 931,677 shares of Series A Preferred Stock for consideration of \$1,500,000 in reliance on Regulation D in a series of three transactions. These three purchases were completed by July 27, 2021, and the Company used those

proceeds for general working capital and expansion in marketing efforts. These shares will have a 1.67X liquidation preference and contain certain rights and privileges.

- On December 27, 2021, the Company and Black Oak amended the Senior Subordinated Credit Agreement such that Black Oak would loan the Company an additional \$1,750,000, which also would be convertible into Series A Preferred Stock. \$500,000 of the amount loaned was used by the Company to repay amounts owed by the Company to Black Oak Thirty Three Threads Aggregator, LLC. The Company then used \$1,000,000 of the loan proceeds to purchase Vooray (see below) and the remaining \$250,000 for working capital, including replenishing inventory. The Company relied on Section 4(a)(2) of the Securities Act as an exemption.
- On May 9, 2023, Black Oak converted the remaining outstanding debt of \$1,177,726, including accrued interest, into 731,507 shares of Series A Preferred Stock at a price of \$1.61 per share for no additional consideration in reliance on Section 4(a)(2) of the Securities Act.

Vooray Asset Purchase Agreement

- On January 7, 2022, the Company purchased substantially all of the assets of Vooray International, Inc. (“Seller”) for total consideration of \$5,000,000, of which amount \$500,000 was paid through issuance of 250,000 shares of the Company’s Common Stock at a price of \$2.00 per share in reliance on Section 4(a)(2) of the Securities Act. The remaining \$3,500,000 (the “Seller Financed Portion”) has been financed such that Seller receives on a quarterly basis either: (i) 20% of gross proceeds from the sale of Vooray branded products or (ii) \$87,500 until Seller receives the full Seller Financed Portion. The Seller Financed Portion was initially secured by a first priority UCC-1 financial statement, but now is subordinated to our revolving credit facility (see below). Seller also entered into a Voting Rights Agreement Right of First Refusal Agreement, described in “Description of Securities.”

The Regulation Crowdfunding Offering

- From February 29, 2021, through November 5, 2021, the Company sold 376,686 shares of Common Stock for gross proceeds of \$670,662 under Regulation Crowdfunding. The Company used the proceeds from this offering for general working capital as well as investments in our e-commerce business.

FORWARD LOOKING STATEMENTS

This Memorandum (including the Exhibits hereto) contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they prove incorrect or never materialize, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include but are not limited to statements regarding:

- expectation of development of our brand(s),
- development or growth of our business or operations,
- future product offerings,
- statements regarding our vendors, manufacturers, distributors or customers,
- our financial expectations, including budget, revenues, earnings, and balance sheet items,
- our Budget and any information or projections contained therein,
- our use of proceeds, including investment of cash pending use of proceedings,
- our working capital,
- statements related to future economic conditions or performance,
- statements as to industry trends, governmental regulation and litigation, and
- other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing.

These statements are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “will,” or “plan,” and similar expressions or variations. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed under Risk Factors, and such forward looking statements are qualified in their entirety by reference to such risk factors. Furthermore, such forward-looking statements speak only as of the date of this Memorandum. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. New factors emerge from time to time, and their emergence is impossible for us to predict. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

RISK FACTORS

An investment in the Shares involves a high degree of risk. You should carefully consider the risks described below, as well as the other information contained in this Memorandum, before deciding to purchase Shares. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that have not yet been identified, or that we currently think are immaterial, may also adversely affect us. If any of the events, contingencies, circumstances or conditions described below actually occurs, our business, financial condition or results of operations would likely be seriously harmed. The value of our Shares would, in turn, likely decline and you could lose all or part of your investment.

Projections: Forward Looking Information.

Any projections or forward-looking statements regarding our anticipated financial or operational performance are hypothetical and are based on management's best estimate of the probable results of our operations and will not have been reviewed by our independent accountants. These projections will be based on assumptions which management believes are reasonable. Some assumptions invariably will not materialize due to unanticipated events and circumstances beyond management's control. Therefore, actual results of operations will vary from such projections, and such variances may be material. Any projected results cannot be guaranteed.

Our financial statements were prepared on a "going concern" basis.

Our financial statements were prepared on a "going concern" basis. Certain matters, as described below and in Note 1 to the accompanying financial statements indicate there may be substantial doubt about the Company's ability to continue as a going concern. For the nine months ended March 31, 2023 we had a net income of \$153,498 and a net loss of \$718,150 for the corresponding period ended March 31, 2022. For the year ended June 30, 2022, we had a net loss after taxes of \$1,324,296 compared to \$1,592,175 for the year ended June 30, 2021. We used cash of \$1,417,913 and \$1,734,410 in operating activities for the year ended June 30, 2022 and June 30, 2021, respectively. Our current cash position may not be sufficient for our daily operations, although management expects additional funding through private investors and cash resources available through existing shareholders to contribute to our capital needs. We also have a line of credit that allows the Company to borrow up to \$4,000,000. Our balance under this line of credit was \$1,772,557 as of March 31, 2023. Our ability to continue as a going concern depends on our ability to implement our business plan, generate sufficient revenue, and our ability to raise additional funds through public and/or private offerings.

Our financial statements have not been reviewed or audited by an independent accountant.

The financial statements in this offering have not been reviewed or audited by an independent accountant. Should we undertake a review or an audit of our financial statements as part of any future financing effort, it is likely that our reported results may be different, if not materially different, than what is included in our financial statements in this offering. It is possible that you would make a different investment decision if you were presented with those financial statements.

Risks Related to the Company and Its Business

All our assets are pledged as collateral to our lenders.

We have a credit facility with Celtic Bank with a maximum loan amount of \$4,000,000 that is secured by substantially all the assets of the Company. As of March 31, 2023, the balance of this loan was \$1,772,557 and we are in compliance with the covenants. Additionally, we have a secured promissory note with Finance Group Corporation that is secured by a third priority interest. Finance Group Corporation is owned by several of the members of senior management of the Company. For details, see "Indebtedness." As of March 31, 2023, the balance of this loan was \$ 531,440. The Company also has a secured promissory note with Lloyd & Leo, Inc. (FKA Vooray International, Inc.) for \$3,028,320, as of March 31, 2023, for the purchase of select assets of Vooray

International, Inc. (the “Vooray Promissory Note”) which is secured by a third priority interest. In response to COVID-19, the Company received an Emergency Injury Disaster Loan from the Small Business Administration (the “SBA”) through Comerica Bank in the amount of \$144,317 (the “EIDL”). As of March 31, 2023, the Company is also liable for a \$118,166 loan from Joe Patterson and \$33,745 from Franklin Slade Holdings, LLC, which is controlled by our CEO Barry Buchholtz. Due to the secured priority interests granted to Celtic Bank, Finance Group Corporation and Vooray, and due to the terms of the EIDL and our other debt held by Joe Patterson and Franklin Slade Holdings, LLC, these debts would be paid prior to holders of the Company’s Capital Stock receiving anything in the event the Company were to cease operations and be liquidated for any reason. For details regarding the Company’s debt, see “Management’s Discussion and Analysis – Liquidity and Capital Resources” and “Indebtedness.”

We have an amount of debt that may be considered significant for a company of our size, and we may incur additional debt in the future, which may materially and adversely affect our business, financial position, results of operations and cash flows.

As of March 31, 2023, we had \$6,870,629 of outstanding indebtedness to Celtic Bank, Black Oak, SBA, Finance Group Corporation, Joe Patterson, Franklin Slade Holdings, and Lloyd & Leo, Inc. as listed above (see above). Our debt level could limit our ability to obtain additional financing and could have other important negative consequences, including:

- make it more difficult for us to satisfy our obligations to the holders of our outstanding debt, resulting in possible defaults on and accelerations of such indebtedness;
- require us to dedicate a substantial portion of our cash flows from operations to make payments on our debt, which would reduce the availability of our cash flows from operations to fund working capital, capital expenditures or other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations;
- limit our ability to refinance our existing indebtedness or borrow additional funds in the future;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete;
- place us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital resources; and
- limit our ability to react to competitive pressures or make it difficult for us to carry our capital spending that is necessary or important to our growth strategy.

For a complete description of our debt, see “Indebtedness,” below. We may not be able to generate sufficient cash to service all of our debt or refinance our obligations and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures or planned growth objectives, seek to obtain additional equity capital or restructure our indebtedness. In addition, the recent worldwide economic slowdown makes it more difficult for us to refinance our indebtedness on favorable terms, or at all. In the absence of such operating results and resources, we may be required to dispose of material assets to meet our debt service obligations. We may not be able to consummate those sales, or, if we do, we will not control the timing of the sales or whether the proceeds that we realize will be adequate to meet debt service obligations when due. Any of the foregoing impacts of our substantial indebtedness could have a material adverse effect on our business, financial condition and results of operations. Additionally, if we are unable to secure financing on commercially reasonable terms, if at all, our business, financial position, results of operations and cash flows may be materially and adversely affected.

Primarily due to COVID-19, for the years ending June 30, 2022 and 2021, we experienced a net operating loss and cannot assure you that we will achieve or maintain profitable operations.

We have incurred net losses of \$1,323,781 and \$1,590,834 for the fiscal years ending June 30, 2022 and 2021, respectively. We cannot assure you that we will achieve sustainable operating profits or even be able to service our debt or refinance our obligations as we continue to expand our infrastructure, further develop our marketing efforts, and otherwise implement our growth initiatives. Any failure to achieve and maintain profitability would have a materially adverse effect on our ability to implement our business plan, our results and operations, and our financial condition, and could cause the value of our Common Stock to decline, resulting in a significant or complete loss of your investment.

Any interruption or termination of our relationships with our manufacturers could harm our business, including the impact of post-COVID-19 economy, and the imposition of tariffs by the United States government on Chinese goods.

All of our products are manufactured by independent manufacturers located in China. We do not have long-term agreements with any of our independent manufacturers. Some of the challenges we may experience with our manufacturers include insufficient production capacity, errors in making products to our specifications, inability to obtain sufficient raw materials, poor quality control, failure to meet production deadlines, increases in manufacturing costs and failures to properly use our intellectual property. If our relationship with any of our independent manufacturers is interrupted or terminated, whether by us or by them, we would need to locate alternative manufacturing sources. Establishing new manufacturing relationships involves numerous uncertainties, and we may not be able to obtain alternative manufacturing sources on a timely basis or on satisfactory terms. If we were required to replace any of our major manufacturers, we would likely experience increased costs, substantial disruptions in the manufacture and shipment of our products, and a loss of sales. COVID-19 could have a similar impact if any of our suppliers or manufacturers are required to shut down, suspend manufacturing, or otherwise discontinue operations due to COVID-19 and Government restrictions. We produce all of our products in China, and we are required to pay federal tariffs to the US government because our products are foreign-made goods. We currently pay federal duties ranging from 13% - 35% on our goods and tariffs up to 15%. The federal government has the ability to increase these tariffs. If additional tariffs are imposed, our margins and earnings may be negatively affected. We cannot predict the nature of future tariffs or changes in duty rates. As of March 31, 2023, we are not aware of any additional duties or tariffs that are pending, but tariffs can be changed without notice to us.

We must be able to continue to procure raw materials on commercially reasonable terms and receive timely deliveries from our manufacturers to sell our products profitably.

Our ability to sell our products is dependent upon the availability of raw materials used in our products and timely deliveries of products from our independent manufacturers. We may experience shortages of raw materials, such as organic cotton, and resulting delays in deliveries of our products by our independent manufacturers. Any shortage of raw materials or inability of a manufacturer to manufacture or ship our products in a timely manner, or at all, could impair our ability to ship orders of our products in a timely manner and could cause us to miss the delivery requirements of our customers, which may result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on our net sales and results of operations. Due to COVID-19, electricity rationing by the Chinese government, and port congestion we have experienced delays in obtaining raw materials, primarily organic cotton. We are working on various methods of mitigating the risks associated with these supply chain delays, however these delays may impact our revenue and net income in future periods.

The continued economic impact of COVID-19 may impact our revenue in the United States or abroad and could harm our business.

The impact of the global pandemic COVID-19 has had a substantial impact to the fitness markets globally, with many gyms and fitness studios closing temporarily and some permanently. Many have been impacted financially due to their temporary closure or reduction in clientele. During the months of March - April 2020, we saw a substantial decline in our daily new order volume. Starting April 27, 2020 we began to see these numbers start to rebound. Additionally, the cost of freight has increased due to COVID-19 and the resulting lack of space available for air and ocean shipments. If such problems persist, this may impact our revenue and margin and thus have a negative impact on our operating results. If the impact of COVID-19 continues or worsens, our operating results may be adversely and materially affected by these reductions in clients, the downward trends in the economy, or the general occurrence of global events that adversely affect the economy in general. The extent to which COVID-19 affects our financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 outbreak and the actions to contain the outbreak or treat its impact, among others. Moreover, the COVID-19 outbreak has had and may continue to have indeterminable adverse effects on general commercial activity and the world economy, and our business and results of operations could be adversely affected to the extent that COVID-19 or any other pandemic harms the global economy generally. To mitigate the impact of COVID-19, the Company has applied for and received loans under the Small Business Administration's Paycheck Protection Program ("PPP") and an Economic Injury Disaster Loan ("EIDL"), see "Indebtedness" below. However, the Company still needs additional financing, and further to the extent the Company cannot obtain equity investment, it may be required to take on additional debt.

The long term impact of COVID-19, the potential of recession, global currency fluctuations, global inflation, rising interest rates, and other economic uncertainties will have an impact on our business.

Changes in economic conditions, including inflation, rising interest rates, lower consumer confidence, volatile equity capital markets, ongoing supply chain disruptions, and the impacts of the war in Ukraine have affected and may continue to affect our business, revenues, and earnings adversely.

Global inflation rates have increased and may continue to rise. Our suppliers may raise prices that we may not be able to pass on to our customers. This may adversely affect our business, including our competitive position, market share, revenues and profit margins in material ways.

Rising interest rates may reduce our access to debt capital, which may adversely affect our future business plans and expected growth. The rising interest rates have also increased the cost of our short-term variable rate borrowings, which will reduce our earnings.

Volatility in equity capital markets may adversely affect the market prices of our common shares and/or our ability to raise funds through the sale of shares. This may materially and adversely affect our ability to fund our business through public or private sales of equity securities and the retentive power of our equity compensation plans, which we rely on, in part, to retain key executives and employees.

The ongoing war in Ukraine has had a broad range of adverse impacts on global business and financial market conditions, some of which have had and are likely to continue to have adverse impacts on our business. These include a direct impact to revenue derived from the EMEA markets due to the economic impact of energy availability and prices, inflation, and a lack of natural resources. If the war continues, it could impact the long term revenue from the EMEA markets.

The COVID-19 pandemic continues to affect many businesses, including ours. Among these impacts are ongoing personnel absences and the effectiveness of return-to-office transition plans. If we are unable to manage these absences and our return-to-office transition, we may experience short-term and/or long-term impacts on our business and business growth that could be material and adverse.

Our top ten distribution and customer agreements represent approximately 68% of our net revenues for the nine months ending March 31, 2023, our prospects could be negatively impacted if our sales to our largest customers should decrease.

Our top ten distribution and customer agreements constitute approximately 68% of our total revenue. These agreements consist of both international distribution and domestic franchise accounts, in which the agreements allow us to sell our products to the franchisees of various fitness chains. We regularly renew these agreements. The loss of, or any decrease in sales, under these agreements would have a negative impact on our operating results and financial condition.

Furthermore, some of these distribution or customer agreements may be with public reporting entities subject to significant fluctuations in their stock prices due to the economic environment, actions taken by officers or directors, general poor performance of the company, or any related activities that may impact their share price or ability to purchase pay for the Company's product. Such fluctuations may negatively impact the Company's ability to renew agreements, continue sales, or grow the business with these entities.

We have a concentration of customers to whom we extend credit which may place the Company at risk if one or all of those customers' financial condition deteriorates.

As part of its day-to-day operations, the Company provides credit in the normal course of business to customers in both the United States and other countries. Extending credit to customers entails certain risks to the Company such that if the financial condition or operations of these customers deteriorates, the risk of selling to those customers may increase. At March 31, 2023, the Company had three customers that accounted for 30% of gross accounts receivables while at June 30, 2022, the Company had three customers accounting for 43% of gross accounts receivable.

We have a concentration of vendors from whom we purchase product, which may place the Company at risk if one or all of those vendor's financial or other condition deteriorates.

The Company has three vendors that accounted for 68% of inventory purchases at March 31, 2022. The Company also had three vendors that accounted for 55% of accounts payable at March 31, 2023. See Note 9 to the financial statements for the nine-month period ended March 31, 2023 (internal unaudited) and March 31, 2022 (internal unaudited). The Company had three vendors that accounted for 62% of inventory purchases and 37% of accounts payable for the year ended June 30, 2022. See Note 13 to the Financial Statements for the Fiscal Years Ended June 30, 2022 and 2021.

Any downturn in general economic conditions in the United States or abroad could harm our business.

Our business may be subject to increased costs due to excess inventories and a decline in profitability as a result of increasing pressure on margins if we misjudge the demand for our products.

Our industry is subject to significant pricing pressure caused by many factors, including intense competition and a highly promotional environment, fragmentation in the retail industry, pressure from retailers to reduce the costs of products, and changes in consumer spending patterns. If we misjudge the market for our products or demand for our products are impacted by other factors, such as inflationary pressures, political instability or the ongoing COVID-19 pandemic, we may be faced with significant excess inventories for some products and missed opportunities for other products. We have in the past been, and may in the future be, forced to rely on donation, markdowns, promotional sales or other write-offs, to dispose of excess, slow-moving inventory, which may negatively impact our gross margin, overall profitability and efficacy of our brands.

Increases in our costs, such as raw materials, labor or freight could negatively impact our gross margin. Our costs for raw materials are affected by, among other things, weather, customer demand, speculation on the commodities

market, the relative valuations and fluctuations of the currencies of producer versus customer countries and other factors that are generally unpredictable and beyond our control. Any of these factors may be exacerbated by global climate change. In addition, ongoing impacts of the pandemic, political instability, trade relations, sanctions, price inflationary pressure, or other geopolitical or economic conditions could cause raw material costs to increase and have an adverse effect on our future margins. Labor costs at many of our manufacturers have been increasing significantly and, as the middle class in developing countries continues to grow, it is unlikely that such cost pressure will abate. Furthermore, the cost of transportation has fluctuated and may continue to fluctuate significantly if oil prices continue to rise. We have also experienced increased freight and other logistics costs, including increased carrier rates for ocean and air shipments, in addition, the supply chain disruptions have caused us to increase our use of air freight with greater frequency than in the past. We may not be able to offset such increases in raw materials, labor or transportation costs through pricing measures or other means.

The success of our business depends on our ability to retain the value of our brands and to respond to changing fashion and retail trends in a timely manner.

The shift towards digital engagement has become increasingly important, with increased use of social media platforms by our brand representatives, influencers and our employees. Actions taken by our partners on social media that do not show our brands in a manner consistent with our desired image or that are damaging to such partner's reputation, whether or not through our brand social media platforms, could harm our brand reputation and materially impact our business.

Our success also depends in part on our and our executive leadership team's ability to execute on our plans and strategies. Even if our products, marketing campaigns and retail environments do meet changing customer preferences and/or stay ahead of changing fashion trends, our brand image could become tarnished or undesirable in the minds of our customers or target markets, which could materially adversely impact our business, financial condition, and results of operations.

Our prospects could be negatively impacted if our sales are concentrated in any one product or category of products.

If any one product or category of products were to represent a substantial portion of our net sales, we could be exposed to risk should consumer demand for such product or category of products decrease in subsequent periods. Although we currently offer a broad range of sock products, our grip products represent nearly 75% of our overall sales. Fluctuations in sales of any given product that represents a significant portion of our future net sales could have a negative impact on our operating results.

Our business could be harmed if we keep too much or too little inventory.

We place orders with our independent manufacturers for our products prior to our receipt of customer orders. This minimizes our purchasing costs, the time in which we can fill customer orders and the risk of non-delivery. We also maintain an inventory of products that we anticipate will be in greater demand. However, we may be unable to sell the products we have ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have a material adverse effect on our operating results and financial condition. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply the quality products that we require when we need those products, we may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer and distributor relationships, and diminish brand loyalty. On March 31, 2023, the Company had approximately \$1,767,000 of end of life inventory that will be sold at reduced margins.

If we are unable to develop and maintain the popularity of our brands there may not be sufficient demand for our products.

The sock, athleisure, and apparel markets are subject to constantly changing consumer preferences based on trends. Our success is largely dependent on the continued strength of our ToeSox, TAVI, Base33, and Vooray brands and our ability to continue to introduce new and innovative branding concepts and products that are accepted by consumers in our target market. In addition, we must anticipate the rapidly changing trends and consumer demands and provide products that appeal to their preferences in a timely manner while preserving our brand. Achieving market acceptance for new products may also require substantial marketing and product development efforts and expenditures to create consumer demand. Decisions with respect to products need to be made several months in advance of the time when consumer acceptance can be determined. We attempt to minimize the risk of changing trends and product acceptance through constant interaction with consumers in our target markets; but trends can shift away from our products, or if we may misjudge the markets for our products. If so, our net sales may be adversely affected and we may be faced with excess inventories, lower gross margins due to the necessity of providing discounts to retailers and impairment of our brand name and brand image.

We may not be able to compete effectively, which may cause our internet sales and market share to decline.

The sock, athleisure, and apparel markets in which we compete are intensely competitive. Competitive factors that affect our market position within these markets include the design of our products, trade and consumer promotions, rapid and effective development of new, unique products, attractive and different packaging, product performance, various marketing strategies, and the strength and authenticity of our brands. Our products compete with other apparel, grip socks, casual socks, sport socks, dance socks, and general active wear accessories. In many cases, our products compete with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known brands. Some of our competitors have significantly greater financial resources, have more comprehensive lines of product offerings, have greater brand recognition and spend substantially more on product marketing than we do. More importantly, the purchasing decisions of consumers are highly subjective and can be influenced by many factors, such as marketing programs, product design and brand image; therefore, we could face competition from larger or smaller competitors that introduce and promote products which are perceived by consumers to offer lifestyle or performance advantages over our products. Even if we are successful in remaining innovative in our product design, marketing, and performance, maintaining high-quality standards and strengthening our methods of distribution, brand image and loyalty and customer service, we may experience a loss of market share and decreased net sales. We may encounter difficulties in maintaining or growing our revenues or our market share due to fierce competition in our markets. If our revenues decline, our business, financial condition and results of operations would likely be adversely affected.

If our marketing efforts are not effective, our brands may not achieve the broad recognition necessary to our future success.

We believe that broader recognition and favorable perception of our target audience, which is generally a female consumer between the age of 24 and 50, is essential to our future success. Accordingly, we intend to incur significant expense by continuing an aggressive brand-enhancement strategy through a variety of marketing techniques, including digital marketing, ambassador/athlete sponsorship, social media marketing, virtual and in-person events, point of purchase advertising, internet and print media advertising, collaborations with other like-minded brands, and fostering an authentic Company culture. If our brand enhancement strategy is unsuccessful, these significant expenses may never be recovered, and we may lack the resources to increase future sales. We believe that successful positioning of our brand will largely depend on:

- the success of our marketing and promotional efforts;
- preservation of the authenticity of the brands and perception of these brands by our target consumer; and
- our ability to continue to provide innovative, stylish and high-quality products to our customers.

Our business is affected by seasonality.

Our business is affected by the general seasonal trends common to the fitness industry. Seasonality may adversely affect our business and cause our results of operations to fluctuate or differ from our forecasts. We believe that comparisons of our operating results between different quarters within a single fiscal year are not meaningful and that results of operations in any period should not be considered indicative of the results to be expected for any future period.

Any failure by us to maintain ongoing sales through our customer base could harm our business.

A majority of our product sales are wholesale sales to dealers and distributors who sell our products to our global consumer base. Many of these dealers and distributors are not obligated to continue selling our products, and they may stop buying our products at any time without notice. Our ability to increase our net sales in the future will depend in large part on our success in developing and maintaining relationships with our dealers and distributors. If we do not maintain or expand these relationships successfully or secure agreements with additional distributors on commercially reasonable terms could harm our business and results of operations. We are also dependent on the sales and marketing efforts of our dealers and distributors which we do not control.

We rely on distributors for international sales and must maintain good relationships with our existing distributors and/or secure new distributors.

The sales and marketing efforts of our international distributors are important for our success in the foreign markets assigned to each distributor. If our distributors prove to be ineffective and/or if we fail to attract additional distributors, and/or our distributors do not market, promote and distribute our products effectively, our business, financial condition and results of operations could be adversely affected.

If we are unable to maintain brand image or product quality, or if we encounter product recalls, our business may suffer.

Our success depends on our ability to build and maintain brand image for our existing products, new products and brand extensions. We have no assurance that our advertising, marketing and promotional programs will have the desired impact on our products' brand image and on consumer preference and demand. Product quality, consumer complaints, even if false or unfounded, could tarnish the image of the affected brands and may cause consumers to choose other products. We may be required from time to time to recall products entirely. Product recalls could adversely affect our profitability and our brand image. We do not maintain recall insurance. In the event we were to experience product liability claims or a product recall, our financial condition and business operations could be materially adversely affected.

If we are unable to retain key personnel necessary to operate our business, our ability to develop and market our products successfully may be harmed.

We are heavily dependent on our current executive officers and management. The loss of any key employee or the inability to attract or retain qualified personnel, including administrative, sales and marketing personnel, could delay the development and introduction of products, and harm our ability to sell our products and damage our brand. Our future success may also depend on our ability to attract and retain additional qualified management, sales and marketing personnel. We currently have employment agreements with three members of our management team as well as key man insurance on both Joe Patterson and Barry Buchholtz. Furthermore, we maintain an office in both China and Mexico with twenty contract employees that provide development, production planning, quality control, logistics, accounting, information technology, and administrative services. These contractors are paid through third-party trading companies. If for any reason we are not able to retain the services of these individuals it may impact our ability to develop, manufacture, and ship goods. If any of these should occur, it may impact our operating results.

We may be unable to successfully implement our strategic plans and growth initiatives, and we may have difficulty managing any growth that we might experience.

We cannot predict our ability to implement or the success that will be generated by the implementation of strategic plans and growth initiatives. We will require significant capital investment and management attention, which may result in the diversion of these resources from our core business and other business issues and opportunities. Additionally, any new initiative is subject to certain risks, including customer acceptance, competition, product differentiation, design and quality. If we experience growth in our operations, it will place a significant strain on our management and operations, including that our operational and financial systems, procedures and controls may need to be expanded and we may need to train and manage an increasing number of employees. The process of expanding our infrastructure will distract our management team from our business plan and involve increased expenses. Our future success will depend substantially on the ability of our management team to manage any growth effectively. Such challenges may include: maintaining our cost structure at an appropriate level based on the net sales we generate; implementing and improving our operational and financial systems, procedures and controls; managing operations in multiple locations and multiple time zones; and distributing our products in a timely manner.

Increases in our revenues do not guarantee increases in profitability.

We believe that the Company will continue to see increases in its gross revenues. However, increases in revenues generally require additional expenditures to produce additional product and therefore an increase in revenues does not always mean that net profits increase. If we are unable to control our expenses while we expand our business, our profitability could be negatively impacted.

If we fail to maintain effective disclosure controls and procedures and internal control over financial reporting our investor confidence in our Company could be materially and adversely affected.

We are required to maintain both disclosure controls and procedures and internal control over financial reporting. If we fail to do so, our business and results of operations could be materially harmed.

Litigation or legal proceedings could expose us to significant liabilities and thus negatively affect our financial results.

We may, from time to time, be party to various litigation claims and legal proceedings, including, but not limited to, intellectual property, fraud, unfair business practices and false advertising, breach of contract claims, employee claims, or others. Defending these proceedings can result in significant ongoing expenditures and the diversion of our management's time and attention from the operation of our business, which could have a negative effect on our business operations. Our failure to successfully defend or settle any litigation or legal proceedings could result in liabilities that, to the extent not covered by our insurance, could have a material adverse effect on our financial condition, revenue and profitability, and could cause the market value of our common stock to decline.

The Company's bylaws provide for indemnification.

The Company's bylaws provide for indemnification of the Company's directors, officers, employees and agents, against liabilities arising out of acts or omissions not amounting to fraud, gross negligence, and breach of fiduciary duty or willful misconduct. To the extent that any covered persons are indemnified under the indemnification provisions of the Company's bylaws, or any indemnity agreements pursuant thereto, the assets of the Company would be at risk. There are currently three employees with separate indemnity agreements with the Company.

Our limited operating experience and limited brand recognition in new international markets may limit our expansion and cause our business and growth to suffer.

Our future growth depends in part on our expansion efforts outside of North America. We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in any new market. In connection with our expansion efforts we may encounter obstacles we did not face in North America, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, difficulties in keeping abreast of market, business and technical developments, and foreign customers' tastes and preferences. We may also encounter difficulty expanding into new international markets because of limited brand recognition leading to delayed acceptance of our technical athletic apparel by customers in these new international markets. Our failure to develop our business in new international markets or disappointing growth outside of existing markets could harm our business and results of operations.

In addition, we may, from time to time, evaluate and pursue other strategic investments or acquisitions. These involve various inherent risks and the benefits sought may not be realized. The acquisition other companies or other strategic investments or acquisitions may not create value and may harm our brand and adversely affect our business, financial condition, and results of operations.

If any of our products are unacceptable to us or our customers, our business could be harmed.

We have occasionally received, and may in the future receive, shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards. We have also received, and may in the future receive, products that are otherwise unacceptable to us or our customers. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products is not discovered until after such products are sold, our customers could lose confidence in our products or we could face a product recall and our results of operations could suffer and our business, reputation, and brand could be harmed.

Our results of operations could be materially harmed if we are unable to accurately forecast customer demand for our products.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in customer demand for our products or for products of our competitors, our failure to accurately forecast customer acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions (for example, because of unexpected effects on inventory supply and consumer demand caused by the current COVID-19 coronavirus pandemic), and weakening of economic conditions or consumer confidence in future economic conditions. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale in our stores or for delivery to customers.

Inventory levels in excess of customers demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margin to suffer and could impair the strength and exclusivity of our brand. Conversely, if we underestimate customer demand for our products, our manufacturers may not be able to deliver products to meet our requirements, and this could result in damage to our reputation and customer relationships.

Our business could be harmed if our suppliers and manufacturers do not comply with our Vendor Code of Ethics or applicable laws.

While we require our suppliers and manufacturers to comply with our Vendor Code of Ethics, which includes labor, health and safety, and environment standards, we do not control their practices. If suppliers or contractors do not comply with these standards or applicable laws or there is negative publicity regarding the production methods of any of our suppliers or manufacturers, even if unfounded or not material to our supply chain, our reputation and

sales could be adversely affected, we could be subject to legal liability, or we could be forced to locate alternative suppliers or manufacturing sources.

The fluctuating cost of materials could increase our cost of goods sold.

The raw materials and fabrics used make our products include synthetic fabrics whose raw materials include petroleum-based products. Our products also include silver and natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. In particular, the impact of COVID-19, including port congestion and difficulty obtaining space on shipping transports, has made created delays in obtaining our raw materials, including organic cotton. The scarcity of raw materials and the increased costs of shipping has increased our costs. Increases in the cost of raw materials, including petroleum or the prices we pay for silver and our cotton yarn and cotton- based textiles, could have a material adverse effect on our cost of goods sold, results of operations, financial condition, and cash flows.

An economic recession, depression, downturn or economic uncertainty in our key markets may adversely affect consumer discretionary spending and demand for our products.

Many of our products may be considered discretionary items for consumers. Some of the factors that may influence consumer spending on discretionary items include general economic conditions (particularly those in North America), high levels of unemployment, higher consumer debt levels, reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest and foreign currency rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, tax rates and general uncertainty regarding the overall future economic environment. Any recession, depression or general downturn in the global economy will negatively affect consumer confidence and discretionary spending. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly in North America. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition.

Global economic and political conditions and global events such as health pandemics could adversely impact our results of operations.

Uncertain or challenging global economic and political conditions could impact our performance, including our ability to successfully expand internationally. Global economic conditions could impact levels of consumer spending in the markets in which we operate, which could impact our sales and profitability. Political unrest could negatively impact our customers and employees, reduce consumer spending, and adversely impact our business and results of operations. Health pandemics, such as the COVID-19 coronavirus pandemic, and the related governmental, private sector and individual consumer responses could contribute to a recession, depression, or global economic downturn, reduce store traffic and consumer spending, result in temporary or permanent closures of retail locations, offices, and factories, and could negatively impact the flow of goods.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet customer expectations could be harmed.

We rely on our distribution facilities for substantially all of our product distribution. Our distribution facilities include computer controlled and automated equipment, which means their operations may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power

interruptions, or other system failures. In addition, our operations could also be interrupted by labor difficulties, extreme or severe weather conditions or by floods, fires, or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies could be harmed.

Risks Associated with Regulatory Matters, ESG and Foreign Operations

GDPR & PC compliance status.

Companies that collect data on citizens in the European Union ("EU") countries are required to comply with strict regulations around protecting customer data. The General Data Protection Regulation ("GDPR") sets a new standard for consumer rights regarding their data, and we will be challenged to implement and maintain systems and processes in place to ensure compliance. Compliance will cause some concerns and new expectations for our IT security team. For example, the GDPR takes a wide view of what constitutes personal identification information. We will be required to ensure the same level of protection for things like an individual's IP address or cookie data as we do for personal information such as name, address, and Social Security number. The cost of non-compliance with GDPR could be significant and impact our ability to transact business in the EU. The Payment Card Industry Data Security Standard is an information security standard for organizations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands but administered by the Payment Card Industry Security Standards Council. The Company has not completed its internal PCI compliance for 2022. While we do not believe we are out of compliance, any non-compliance could have a negative financial impact on the business.

Climate change, and related legislative and regulatory responses to climate change, may adversely impact our business.

There is increasing concern that a gradual rise in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe, an increase in the frequency, severity, and duration of extreme weather conditions and natural disasters, and water scarcity and poor water quality. These events could adversely impact the cultivation of cotton, which is a key resource in the production of our products, disrupt the operation of our supply chain and the productivity of our contract manufacturers, increase our production costs, impose capacity restraints and impact the types of apparel products that consumers purchase. These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations. In many countries, governmental bodies are enacting new or additional legislation and regulations to reduce or mitigate the potential impacts of climate change. If we, our suppliers, or our contract manufacturers are required to comply with these laws and regulations, or if we choose to take voluntary steps to reduce or mitigate our impact on climate change, we may experience increases in energy, production, transportation, and raw material costs, capital expenditures, or insurance premiums and deductibles, which could adversely impact our operations. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

Increased scrutiny from investors and others regarding our environmental, social, governance, or sustainability, responsibilities could result in additional costs or risks and adversely impact our reputation, employee retention, and willingness of customers and suppliers to do business with us.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and customers have focused increasingly on the environmental, social and governance ("ESG") or "sustainability" practices of companies. These parties have placed increased importance on the implications of the social cost of

their investments. If our ESG practices do not meet investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted based on an assessment of our ESG practices. Any sustainability report that we publish or otherwise sustainability disclosure we make may include our policies and practices on a variety of social and ethical matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. Also, our failure, or perceived failure, to meet the standards included in any sustainability disclosure could negatively impact our reputation, employee retention, and the willingness of our customers and suppliers to do business with us.

Our business could be harmed if our suppliers and manufacturers do not comply with our Vendor Code of Ethics or applicable laws.

While we require our suppliers and manufacturers to comply with our Vendor Code of Ethics, which includes labor, health and safety, and environment standards, we do not control their practices. If suppliers or contractors do not comply with these standards or applicable laws or there is negative publicity regarding the production methods of any of our suppliers or manufacturers, even if unfounded or not material to our supply chain, our reputation and sales could be adversely affected, we could be subject to legal liability, or we could be forced to locate alternative suppliers or manufacturing sources.

Our global distribution center is located in Mexico and we are subject to foreign laws.

Our warehouse is located in Mexico and therefore we are subject to the laws of this Country. Any change in this Country's policies, practices, laws, relations with the United States, or changes in U.S. policies permitting legal imports from these countries could negatively impact our business including the potential for interruption of shipments. Such delay in, or ability to deliver product to our customers could harm our customer relationships as well as operating results.

We utilize U.S. Customs Rule 321, and changes to that rule could impact our operating results.

We take advantage of duty savings under Section 321, 19 USC 1321. This is the statute that describes de minimis. De minimis provides admission of articles free of duty and of any tax imposed on or by reason of importation, but the aggregate fair retail value in the country of shipment of articles imported by one person on one day and exempted from the payment of duty shall not exceed \$800. The de minimis threshold was previously \$200, but increased with the passage of the Trade Facilitation and Trade Enforcement Act (TFTEA). If this ruling was changed it could impact our operating results.

We have offices in China and Mexico.

We maintain an office in China and Mexico with twenty contract workers that provide development, production planning, quality control, accounting, customer service, IT, and logistics services. These contractors are paid through a third-parties. If for any reason we are not able to retain the services of these individuals it may impact our ability to develop, manufacture, and ship goods. If any of these should occur, it may impact our operating results.

China and Mexico have been subject to periodic lockdowns due to COVID-19, these lockdowns may impact our suppliers' ability to deliver product in a timely manner or our QC staff's ability to inspect product during production.

Increasing labor costs and other factors associated with the production of our products in South Asia and South East Asia could increase the costs to produce our products.

A significant portion of our products are produced in South Asia and South East Asia and increases in the costs of labor and other costs of doing business in the countries in this area could significantly increase our costs to produce our products and could have a negative impact on our operations and earnings. Factors that could negatively affect our business include labor shortages and increases in labor costs, difficulties and additional costs in transporting products manufactured from these countries to our distribution centers and significant revaluation of the currencies used in these countries, which may result in an increase in the cost of producing products. Also, the imposition of trade sanctions or other regulations against products imported by us from, or the loss of "normal trade relations" status with any country in which our products are manufactured, could significantly increase our cost of products and harm our business.

We may be unable to source and sell our merchandise profitably or at all if new trade restrictions are imposed or existing restrictions become more burdensome.

The United States and the countries in which our products are produced or sold have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty, or tariff levels. The results of any audits or related disputes regarding these restrictions or regulations could have an adverse effect on our financial statements for the period or periods for which the applicable final determinations are made. Countries impose, modify, and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us, could increase shipping times, or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

We are dependent on international trade agreements and regulations. The countries in which we produce and sell our products could impose or increase tariffs, duties, or other similar charges that could negatively affect our results of operations, financial position, or cash flows.

Adverse changes in, or withdrawal from, trade agreements or political relationships between the United States and China, or other countries where we sell or source our products, could negatively impact our results of operations or cash flows. Any tariffs imposed between the United States and China could increase the costs of our products. General geopolitical instability and the responses to it, such as the possibility of sanctions, trade restrictions, and changes in tariffs, including recent sanctions against China, tariffs imposed by the United States and China, and the possibility of additional tariffs or other trade restrictions between the United States and Mexico, could adversely impact our business. It is possible that further tariffs may be introduced, or increased. Such changes could adversely impact our business and could increase the costs of sourcing our products from China, or could require us to source more of our products from other countries.

There could be changes in economic conditions in the United Kingdom ("UK") or European Union ("EU"), including due to the UK's withdrawal from the EU, foreign exchange rates, and consumer markets. Our business could be adversely affected by these changes, including by additional duties on the importation of our products into the UK from the EU and as a result of shipping delays or congestion.

Changes in tax laws or unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to the income tax laws of the United States and several other foreign jurisdictions. Our effective income tax rates could be unfavorably impacted by a number of factors, including changes in the mix of earnings amongst countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, new tax interpretations and guidance, the outcome of income tax audits in various jurisdictions around the world, and any repatriation of unremitted earnings for which we have not previously accrued applicable

U.S. income taxes and foreign withholding taxes. We may face unanticipated tax liabilities in connection with our acquisition of any other company.

Current economic and political conditions make tax rules in any jurisdiction, including the United States, are subject to significant change. Changes in applicable U.S. or other foreign tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our income tax expense and profitability.

Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States, as well as by various other federal, state, provincial, local, and international regulatory authorities in the countries in which our products are distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. In addition, any audits and inspections by governmental agencies related to these matters could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could have an adverse impact on our business, financial condition, and results of operations. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act (“FCPA”), and other anti-bribery laws applicable to our operations. In many countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. and international laws and regulations applicable to us. Although we have implemented procedures designed to ensure compliance with the FCPA and similar laws, some of our employees, agents, or other partners, as well as those companies to which we outsource certain of our business operations, could take actions in violation of our policies. Any such violation could have a material and adverse effect on our business.

Fluctuations in foreign currency exchange rates may adversely affect our operating results.

We may be exposed to foreign currency exchange rate risk with respect to our cost of goods, sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. dollar. Our products are produced outside of the United States, and while our purchase orders are issued in U.S. dollars and payment is made in U.S. dollars, if the U.S. dollar becomes stronger against other currencies it could affect our cost of goods or selling prices to foreign customers. Current fluctuations in foreign currency against the U.S. dollar can affect the success of our international distributors and the economic conditions in the countries outside of the United States that we sell our products in. As a result, our earnings may be affected by changes in foreign currency exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time.

Risks Related to Intellectual Property

Our fabrics and manufacturing technology generally are not patented and can be imitated by our competitors. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.

The intellectual property rights in the technology, fabrics, and processes used to manufacture our products generally are owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain intellectual property protection for our products is therefore limited and we do not generally own patents or hold exclusive

intellectual property rights in the technology, fabrics or processes underlying our products. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrics and styling similar to our products. Because many of our competitors have significantly greater financial, distribution, marketing, and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.

Our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We currently rely on a combination of copyright, trademark, trade dress, and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. The steps we take to protect our intellectual property rights may not be adequate to prevent infringement of these rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position may suffer.

We may be sued by third parties for alleged infringement of their proprietary rights.

From time to time, we receive notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Some of these claims may lead to litigation. Any intellectual property lawsuit, whether or not determined in our favor or settled, may be costly, could harm our reputation and could divert our management from planned business operations. Adverse determinations in litigation could subject us to significant liability and could result in the loss of our proprietary rights. A successful lawsuit against us could also force us to cease selling or redesign products that incorporate the infringed intellectual property. In addition, we could be required to seek a license from the holder of the intellectual property to use the infringed technology, and it is possible that we may not be able to obtain a license on reasonable terms, or at all. If we fail to develop a non-infringing trademark or patent on a timely basis or a license for the infringed trademark or patent on acceptable terms, our business, financial condition and results of operations could be harmed and the company could cease operations in the country or countries in which our products are held to be infringing.

If we fail to secure or protect our intellectual property rights, we may not be able to sell our products in certain countries or sales may be impacted through knock off or counterfeit products.

A significant portion of our business is based on patented products and all of our products contain our trademarked logos. The laws of some foreign countries may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States. We have a budget to establish and protect our intellectual property on a worldwide basis, but we may not be successful in these efforts or the costs associated with protecting our rights globally may be larger than our budget. We have registered our brands in over 29 countries and have patents in over 14 countries. We expect to incur significant expenses and liability to register and protect our intellectual property rights both in the United States and abroad. If we are unable to successfully protect our intellectual property rights, our business and financial condition may be adversely affected. From time to time, we receive notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Some of these claims may lead to litigation. Any intellectual property lawsuit, whether or not determined in our favor or settled, may be costly, could harm our reputation and could divert our management from planned business operations. Adverse determinations in litigation could subject us to significant liability and could result in the loss of our proprietary rights. A successful lawsuit against us could also force us to cease selling or redesign products that incorporate the infringed intellectual property. In addition, we could be required to seek a license from the holder of the intellectual property to use the

infringed technology, and it is possible that we may not be able to obtain a license on reasonable terms, or at all. If we fail to develop a non-infringing trademark or patent on a timely basis or a license for the infringed trademark or patent on acceptable terms, our business, financial condition and results of operations could be harmed and the Company could cease operations in the country or countries in which our products are held to be infringing.

Our trademarks and other proprietary rights could potentially conflict with the rights of others and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have applied for and obtained some United States and foreign trademark registrations, and will continue to evaluate the registration of additional trademarks as appropriate. However, some or all of these pending trademark applications may not be approved by the applicable governmental authorities.

Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. Additionally, we may face obstacles as we expand our product line and the geographic scope of our sales and marketing. Third parties may assert intellectual property claims against us, particularly as we expand our business and the number of products we offer. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties, or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity, and financial condition to suffer.

Risks Related to Cyber Security

The Company is vulnerable to hackers and cyber-attacks.

We process both business-to-business (B2B) and business-to-consumer (B2C) transactions through our websites. We may be vulnerable to hackers who may access the data of our customers that utilize our platform. Further, any significant disruption in service on our websites or in our computer systems could have a negative impact on our operating results.

Regulatory and compliance requirements.

New and evolving regulations and compliance standards for cyber security, data protection, privacy, public reporting, and internal IT controls are often created or modified. Regulatory and policy-driven obligations require expensive and time-consuming compliance measures. The fear of non-compliance, failed audits, and material findings has pushed organizations to spend more to ensure they are in compliance. Any substantial costs associated with failing to meet regulatory requirements, combined with the risk of fallout from security breaches, could have a material adverse effect on our business.

Disruption of our information technology systems or unexpected network interruption could disrupt our business.

We are increasingly dependent on information technology systems and third-parties to operate our e-commerce websites, process transactions, respond to customer inquiries, manage inventory, purchase, sell and ship goods on a timely basis, and maintain cost-efficient operations. The failure of our information technology systems to operate properly or effectively, problems with transitioning to upgraded or replacement systems, or difficulty in integrating new systems, could adversely affect our business. In addition, we have e-commerce websites in the United States and internationally. Our information technology systems, websites, and operations of third parties on whom we rely,

may encounter damage or disruption or slowdown caused by a failure to successfully upgrade systems, system failures, viruses, computer "hackers", natural disasters, or other causes. These could cause information, including data related to customer orders, to be lost or delayed which could, especially if the disruption or slowdown occurred during the holiday season, result in delays in the delivery of products to our stores and customers or lost sales, which could reduce demand for our products and cause our sales to decline. The concentration of our primary offices, two of our distribution centers, and a number of our stores along the west coast of North America could amplify the impact of a natural disaster occurring in that area to our business, including to our information technology systems. In addition, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers. We have limited back-up systems and redundancies, and our information technology systems and websites have experienced system failures and electrical outages in the past which have disrupted our operations. Any significant disruption in our information technology systems or websites could harm our reputation and credibility, and could have a material adverse effect on our business, financial condition, and results of operations.

We must continually maintain, protect and/or upgrade our information technology systems.

Information technology will help us operate efficiently, interface with customers, maintain financial accuracy and efficiency, and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, and other business disruptions including cybersecurity attacks. Moreover, if our data management systems, do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, cybersecurity attack, or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows and the timeliness with which we report our internal and external operating results.

Our technology-based systems that give our customers the ability to shop with us online may not function effectively.

Many of our customers shop with us through our e-commerce websites and mobile apps. Increasingly, customers are using tablets and smart phones to shop online with us and with our competitors and to do comparison shopping. We are increasingly using social media and proprietary mobile apps to interact with our customers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, user-friendly e-commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our e-commerce business globally and could have a material adverse impact on our business and results of operations.

Risks Related to the Company and Its Securities

The Shares you purchase in this offering are subject to restrictions on transfer which may limit your ability to sell your Shares. Investors should be prepared to hold their Shares for an indefinite period of time.

The Shares in this offering are being offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), and will be subject to restrictions that will limit your ability to sell or transfer your Shares. As a result, your Shares will be deemed "restricted securities" as that term is defined by Rule 144 of the Securities Act and subject to at least a one year holding period. Moreover, you will only be able to resell your Shares in a transaction registered under the Securities Act or subject to an available exemption and in accordance with any applicable state securities laws. In the event of any resale, the Company and its transfer

agent may require an opinion of counsel that the proposed resale is in compliance with federal and state securities laws.

Our investors' ownership interest in the Company will be diluted or impaired when we sell additional Common Stock, issue equity to our employees under our Stock Incentive Plans, or convert our Series A Preferred Stock into Common Stock.

The Board of Directors can authorize the Company to sell additional equity interests in the Company to third parties in order to raise additional capital. Management believes that the Company will have future capital needs and will issue additional shares of Common Stock in the future. Depending on our need for capital, such additional equity interests might be sold for a price less than the price for Common Stock in our past offerings. As of June 27, 2023, the Company has 2,594,861 shares of Series A Preferred Stock issued and outstanding that are convertible at the option of the holder into Common Stock currently at a 1-to-1 ratio, which ratio could change due to a dilution provision that protects holders of Series A Preferred Stock. The Company also has 2018 and 2019 Stock Incentive Plans (the "Stock Incentive Plans") under which stock options have been and will continue to be awarded to employees, directors, and officers. For details regarding the Stock Incentive Plans, see "Security Ownership of Management and Certain Securityholders."

Holders of our Series A Preferred Stock are entitled to potentially significant liquidation preferences over holders of our Common Stock if we are liquidated, including upon a sale of our company.

Holders of our outstanding Series A Preferred Stock have a liquidation preference over holders of our Common Stock. If a liquidation event, including a sale of our Company, occurs, the holders of our Series A Preferred Stock would receive a 1.67X liquidation preference, which could result in approximately \$6,805,000 of proceeds being distributed to Series A Preferred Stock holders before any payments may be made to holders of our Common Stock. Once the liquidation preference has been paid, any remaining available amounts would be paid to holders of our Series A Preferred Stock and Common Stock on a pro rata basis. For purposes of pro rata payments, the Series A Preferred Stock would be treated as if converted to our shares of Common Stock. See "Description of Capital Stock" and "Indebtedness."

The Company does not anticipate paying dividends.

The Company does not anticipate that it will be declaring dividends for the foreseeable future; therefore, the only method in which you may be able to recoup your investment would be the sale of the Company, the private sale of your shares of Common Stock, or a potential redemption of your shares of Common Stock.

Our Directors and Officers control our Company.

Joe Patterson and Barry Buchholtz own in excess of 72%, on a fully diluted basis, of the Company's Common Stock, which constitutes a controlling block in the Company. Moreover, Joe and Barry have entered into a voting agreement under which they both agree to vote all of their shares of Common Stock to elect each other to the board of directors every year. As a result, investors will not have a right to participate in or influence the management of the Company except as required by California law. Additionally, in November 2020, the Company added two new directors to its board, expanding it to six seats. Pursuant to the Company's financing arrangement with those shareholders holding a Series A Preferred Stock, the shareholder with the majority of the Series A Preferred Stock has the right to appoint a member to a board seat will be able to appoint one director to sit on the Company's board. Moreover, the Company entered into a voting agreement with Black Oak Capital that entitles it to vote its Preferred Stock on an as-converted basis when voting to elect the other three directors to the board. Under the Investors' Rights Agreement, the Company must obtain the affirmative vote of all of the directors, including the Black Oak director, in order to engage in certain transactions, including any material acquisition, incurring certain additional indebtedness, or make any material change in the primary business of the Company. Black Oak Capital also has preemptive rights, a right of first refusal and co-sale rights. For more detail, see Description of Securities." The directors and management will have the exclusive right to manage the day-to-day operations of the Company and to

make virtually all decisions without the need to obtain approval of the holders of the Company's Common Stock. This concentration of ownership and voting power could have the effect of delaying or preventing, and may discourage attempts to bring about, a change in control of the Company or the removal of existing management. You should not purchase the Company's Common Stock unless you are willing to entrust management of the Company to its executive officers and board of directors.

The Company's Board of Directors may require stockholders to participate in certain future events, including our sale or the sale of a significant amount of our assets.

Our stockholders will be subject to a drag-along provision related to the sale of the Company. If the Board of Directors receives and accepts a bona fide written offer to engage in a sale of the Company, or agrees to a liquidation or winding down of the Company, in one transaction or a series of related transactions, stockholders will be required to sell their shares at the Drag-Along Price or otherwise participate in the Drag-Along Transaction even if they don't want to sell their shares at that price or participate in the Drag-Along Transaction. See "Securities Being Offered – Common Stock – Stockholders' Agreement – Drag-Along Rights," below or the Company's Shareholder Agreement provided as Appendix II to the Subscription Agreement. Specifically, investors will be forced to sell their stock in that transaction regardless of whether they believe the transaction is the best or highest value for their shares, and regardless of whether they believe the transaction is in their best interests.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet customer expectations could be harmed.

We rely on our distribution facilities for substantially all of our product distribution. Our distribution facilities include computer controlled and automated equipment, which means their operations may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions, or other system failures. In addition, our operations could also be interrupted by labor difficulties, extreme or severe weather conditions or by floods, fires, or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies could be harmed.

Our management has discretion as to use of proceeds from this Offering.

The proceeds from this Offering will be used for the purposes described under "Use of Proceeds." The Company reserves the right to use the funds obtained from this Offering for other similar purposes not presently contemplated which it deems to be in the best interests of the Company and its investors in order to address changed circumstances or opportunities. As a result of the foregoing, the success of the Company will be substantially dependent upon the discretion and judgment of management with respect to application and allocation of the net proceeds of this Offering. Investors for the Common Stock hereby will be entrusting their funds to the Company's management, upon whose judgment and discretion the investors must depend.

Factual statements have not been independently verified.

No party has been engaged to verify the accuracy or adequacy of any of the factual statements contained in this Memorandum. In particular, neither legal counsel nor any other party has been engaged to verify any statements relating the experience, skills, contacts or other attributes of the executive officers and directors, employees or consultants and advisors to the Company, or to the anticipated future performance of the Company.

The Shares being offered are subject to drag-along rights.

The Shares you are purchasing in this offering are subject to a drag-along provision as set forth in the Shareholders Agreement. In the event the Company's board and the vote required to achieve majority approval by the outstanding shares of the Company's Common Stock and Series A Preferred Stock, voting on an as-converted basis as a single class, vote in favor of a sale of the Company, then such holders of the Company's Shares will vote in favor of the transaction if such vote is solicited, refrain from exercising dissenters' rights with respect to such sale of the Company, and deliver any documentation or take other actions reasonably required, amongst other covenants.

This means that if the Chairman of the Board of Directors, who owns approximately 52% of the Company's voting power, decides to sell the Company, you are agreeing to go along with that sale, even if you don't agree with it, oppose it, or feel that your interests are not being represented. In the event of a "Deemed Liquidation Event," the holders of a majority of the Series A Preferred Stock may elect otherwise by written notice to the Company at least five days prior to the effective date of a Deemed Liquidation Event.

Additionally, the enforceability of such provision as it relates to appraisal rights will be subject to the provisions of California law. Since the rights of common stock are determined in general by statute as opposed to by contract, and the drag-along provision is a contractual term, the extent to which this provision would be upheld by the courts in California is unclear. In the event this provision was to be challenged, a sale of the Company might not be effected, and all the shareholders could miss an opportunity to realize the value of their investment.

The exclusive forum provision in our Subscription Agreement may have the effect of limiting an investor's ability to bring legal action against us and could limit an investor's ability to obtain a favorable judicial forum for disputes.

Section 8 of our Subscription Agreement contains an exclusive forum provision for certain lawsuits. The forum for these lawsuits will be the State of California. The forum selection provisions will not be applicable to lawsuits arising from the federal securities laws. This provision may have the effect of limiting the ability of investors to bring a legal claim against us due to geographic limitations. There is also the possibility that the exclusive forum provision may discourage stockholder lawsuits, or limit stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us and our officers and directors. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Investors in this offering may not be entitled to a jury trial with respect to claims arising under the subscription agreement, which could result in less favorable outcomes to the plaintiff(s) in any action under the agreement.

Investors in this offering and their transferees are bound by the subscription agreement, which includes a provision under which investors waive the right to a jury trial of any claim they may have against the company arising out of or relating to the Subscription Agreement, including any claim under the federal securities laws.

As a result, if you bring a claim against the Company in connection with matters arising under the subscription agreement, including claims under federal securities laws, you may not be entitled to a jury trial with respect to those claims, which may have the effect of limiting and discouraging lawsuits against the Company. If a lawsuit is brought against the Company under the subscription agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in such an action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the subscription agreement with a jury trial. No condition, stipulation or provision of the subscription agreement serves as a waiver by any holder of common shares or by us of compliance with any substantive provision of the federal securities laws and the rules and regulations promulgated under those laws.

In addition, when the shares are transferred, the transferee is required to agree to all the same conditions, obligations and restrictions applicable to the shares or to the transferor with regard to ownership of the shares, that were in effect immediately prior to the transfer of the Shares, including but not limited to the Subscription Agreement.

GOVERNING DOCUMENTS

1. ARTICLES/BYLAWS:

The Company is governed by its Amended and Restated Articles of Incorporation (“A&R AOI”), its Bylaws and California General Corporations Law. Our A&R AOI and Bylaws are available upon request. The A&R AOI include a right of directors and officers to be indemnified. The shareholders have previously approved for the Company re-incorporate in Delaware and may elect to do so.

2. SUBSCRIPTION AND SHAREHOLDERS AGREEMENTS:

Each Investor must execute the Subscription and 2023 Shareholders Agreement in the form that is attached hereto. For important information regarding the 2023 Shareholders Agreement see “Description of Securities – 2023 Shareholders Agreement.

INVESTOR SUITABILITY REQUIREMENTS

General

Investment in the Shares involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk of a complete loss of their investment. This offering is made in reliance on exemptions from the registration requirements of the Securities Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Shares are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Shares is appropriate. We may reject subscriptions, in whole or in part, in our sole discretion.

We will require each investor to represent in writing that, among other things, (i) by reason of the investor’s business or financial experience, or that of the investor’s professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Shares and of protecting its own interests in connection with the transaction; (ii) the investor is acquiring the Shares for its own account, for investment only and not with a view toward the resale or distribution thereof; (iii) the investor is aware that the Shares have not been registered under the Securities Act or any state or foreign securities laws and that transfer thereof is restricted by the Securities Act, applicable state or foreign securities laws, the Shareholders Agreement and the absence of a market for the Shares; and (iv) such investor meets the suitability requirements set forth below.

Suitability Requirements

In connection with signing our subscription and shareholders agreements, each investor must represent in writing that it qualifies as an “accredited investor” as such term is defined in Rule 501(a) of Regulation D under the Securities Act, and must be prepared to demonstrate the basis for such qualification. In general, to qualify as an accredited investor, individuals must have a net worth over \$1 million, excluding primary residence, individually or with spouse or partner or income over \$200,000 on an individual basis or \$300,000 with spouse or partner in each of the prior two years, and reasonably expects the same income for the current year. For a more complete definition, including for entities, trusts and other organizations, see Exhibit A to the Subscription Agreement.

In order to meet the conditions for exemption from the registration requirements under the securities laws of certain jurisdictions, investors who are residents of such jurisdictions will be required to meet any applicable suitability requirements.

SUBSCRIPTION PROCEDURES

The minimum subscription is 10,909 Shares or \$29,999. The Company, in its sole discretion, may accept subscriptions for a smaller number of Shares. The Offering commences June 27, 2023 and will terminate on the date at which all 3,636,363 Shares have been sold, on June 30, 2025, or the date at which the offering is earlier terminated by the Company in its sole discretion.

Upon signing of all required documentation and depositing funds, the Company's agent, DealMaker, will hold the funds in a Stripe Connect Account and the funds will not be released to the Company until the Subscription Agreement has been countersigned by the Company. The Company will not countersign the subscription agreement until the Investor's status as an accredited investor has been verified by DealMaker. Once the Subscription Agreement has been countersigned by the Company, the funds will be released to the Company for its use.

Subject to the applicable state securities laws, subscriptions delivered to the Company are not subject to revocation by prospective investors, but may be rejected by the Company, in whole or in part, in its sole discretion, in which event, the subscription funds and an execution copy of the Subscription Agreement submitted will be returned (by mail) to such subscribers without interest or deduction within five (5) business days after such rejection. As soon as possible after the closing which includes the Investor's funds, the Company will execute and deliver to purchasers a written notice of such closing together with their respective Shareholders Agreement countersigned by the Company, and the funds representing such subscriptions will be released for the Company use.

PLAN OF FUNDS DISTRIBUTION

We are offering the Shares at a price of \$2.75 with a minimum purchase amount of \$29,999. We reserve the right to increase or decrease the aggregate number of Shares offered at any time. An outline of the terms of the Shares is provided in this Memorandum. We will offer and sell the Shares to natural persons and entities who are "Accredited Investors" as defined under Rule 501(a) of Regulation D under the Securities Act.

If you invest, your agreement to purchase Shares will be evidenced by the Subscription Agreement, Shareholders Agreement, and other related documents as needed. You will be required to pay the purchase price of the Shares you are purchasing in immediately available funds. We have the discretion to reject you or any other prospective investor or to limit the number of shares that you or any other investor may purchase.

If you invest, you will be required to provide documentation to DealMaker for purposes of verifying your status as an accredited investor.

BUSINESS

Overview

Thirty Three Threads story unfolded 19 years ago in a yoga class. The Company saw slipping feet that needed to grip, clean soles that needed germ protection, and cold toes that needed warmth. Based on these needs the Company dedicated itself to producing quality, innovative and creative solutions for the studio fitness industry.

In 2004, Joe Patterson, founded the Company under the name, “ToeSox” in a small garage in Los Angeles, where the original five-toe grip sock was created to help people during barefoot fitness classes like yoga, Pilates, barre, and dance. Since 2004, ToeSox has become one of the industry leaders in premium athletic products. The Company believes that it has some of the highest quality products in the industry with functional designs and creative styles. The Company believes that the products are highly valued by active consumers worldwide.

In 2015, the Company acquired TAVI (FKA Tavi Noir) to expand into the traditional premium sock market, and the Company changed its name to Thirty Three Threads, Inc. TAVI believes function, fashion, and fitness should flow seamlessly together. While TAVI began with grip socks you wear in your favorite bare foot fitness class, it has expanded to casual and sport socks as well as an extensive apparel product offering. TAVI products are designed to look fabulous in every situation. In 2019, the Company launched a line of women’s athleisure apparel under the TAVI brand.

In 2018, the Company launched Base33, its entrance into the men’s accessory market. The Base33 product offering is comprised of grip and sport socks as well as work out gloves. Base33 products are high performance products for our male consumers.

In 2022, the Company acquired Vooray, a premium athletic bag brand. Vooray creates innovative and versatile athletic bags made with only the highest quality components and fashion forward designs. Vooray has a high concentration of direct-to-consumer revenue and is able to diversify the Thirty Three Threads distribution base. Vooray also reaches a younger consumer, allowing Thirty Three Threads to cross market all of its products to a wider audience.

Through the combination of ToeSox, TAVI, Base33, and Vooray, the Company has the opportunity to continue to expand its global distribution to wholesale accounts by creating a “one-stop-shop” for socks, apparel, and bags. The Company has successfully created innovative products that enhance and support natural movement regardless of the activity.

Executive Summary

Thirty Three Threads is one of the global leaders in premium athletic products and operates through its four brands, ToeSox, TAVI, Base33, and Vooray. The Company was founded in 2004 by Joe Patterson, and is headquartered in Vista, California. Joe Patterson serves as the Company’s Chairman. Barry Buchholtz, the Company’s Chief Executive Officer, joined the Company in 2013 as President and then in December of 2021, became the Chief Executive Officer.

- Leading Premium Athletic Products

Thirty Three Threads produces fashionable athletic products, focused on consumers with an active lifestyle. The brands have established themselves in the industry as the leading, most recognized premium grip socks in the market due to high-quality, and innovative design and product offerings. We have developed unique fabrics, designs, and technical features for our apparel line, allowing us to rapidly gain market share from our competitors. Our bag products are made from premium quality components and fabrics, with very technical and unique designs. The goal of the Company is to be a part of our consumers life in studio, gym, exercise, and leisure— truly “Studio to Street.”

Thirty Three Threads produces premium products, they are sold at reasonably accessible price points, ranging from \$12 to \$150. For the nine months ending March 31, 2023 grips and sport socks generated 71.7%, apparel and related accessories 21.5%, and bags 6.9% of the revenue respectively.

- Defensible Intellectual Property

Thirty Three Threads boasts a defensible, and robust intellectual property portfolio which includes multiple issued and pending patents and trademarks which have been registered or are pending in over 29 countries worldwide. A complete list of Thirty Three Threads' patent and trademarks can be found at: <https://www.thirtythreethreads.com/intellectual-property>. We believe the Company's patents make it difficult for anyone to design comparable products, giving Thirty Three Threads a true competitive advantage by creating significant barriers to entry. Thirty Three Threads has been successful in defending its intellectual property to date, and has been able to keep other companies from selling competitive products. Of course, we require capital to continue to defend our intellectual property.

- Unique and Proprietary Distribution

Thirty Three Threads has an extensive distribution network and is currently sold in approximately 7,500 locations worldwide. The Company has developed exclusive agreements with several large chains in the studio fitness market representing nearly 2,500 locations. Management believes Thirty Three Threads is the only company that has exclusive sock distribution agreements.

Because of its distinctive boutique studio distribution channel, the Company has been able to respond quickly to changing buying patterns as more consumers shift away from traditional brick and mortar locations (i.e. malls) to in-boutique and fitness boutique type retail shops.

- Favorable Position in High-Growth Studio Fitness Market

We believe that Thirty Three Threads has built a strong position in the fast growing studio fitness market for activities such as Pilates, barre, cycling, and yoga. The Company's unique combination of industry leading intellectual property, a proprietary distribution channel, and rapid expansion in the high-growth studio fitness market has positioned the Company to continue to expand in the technical sock market.

- Attractive Opportunities in Adjacent Categories

The Company has been strategic in expanding its consumer base by opportunistically entering adjacent markets. In 2015, the Company acquired TAVI to complement the ToeSox brand with a more traditional and casual sock product offering. TAVI socks are created with function and fashion in mind, designed to flow effortlessly from studio chic to street style. TAVI was later expanded into the apparel market, a key growth segment for Thirty Three Threads. Base33 was created to address the men's sock and accessory market as ToeSox and TAVI primarily focus on female consumers. Vooray was acquired in 2022 to provide an additional product category to our existing consumer and distribution channels. The Thirty Three Threads portfolio of brands provides a "one-stop-shop" for its consumers and wholesale partners.

The Company believes it can replicate the success of its TAVI and Vooray acquisitions in other adjacent product categories or distribution channels. The Company also hopes to leverage its existing relationships in the boutique studio market to promote and sell products from adjacent categories.

Industry Overview

We believe the Company is positioned at the intersection of three of the fastest growing consumer segments—athleisure, socks, and boutique fitness.

- Large and Growing Addressable Markets

Athleisure is one of the fastest growing segments of the global apparel and footwear industry. The global market size in 2022 was estimated at \$330.97 billion with revenue estimated to be \$662.56 billion by 2030. One of the primary drivers behind the athleisure trend is that it succeeds in making functional products stylish.

The sock market is one of the fastest growing segments in apparel. The global sock market was valued at \$49.33 billion in 2022 and is expected to reach \$71.57 billion by 2028. 47% of women wear socks each day, and socks have become a key fashion accessory.

- Studio Fitness Industry

The global health club market in 2021 was estimated to be \$91.18 and is anticipated to reach \$169.7 billion by 2030. Much of the market's recent growth can be attributed to the rise of smaller boutiques and sport-specific studios. Boutique fitness studios now constitute 42% of the U.S. club market—double the amount from 2014.

The studio fitness industry is comprised of free-standing businesses in personal training, Pilates, yoga, indoor cycling, small group training, mixed martial arts, and dance studios. There are approximately 205,000 fitness clubs worldwide, with nearly 185 million members and 6.7 billion visits.

Business Strategy

Our long-term goal is to capitalize on the strength of our brands, the growing consumer recognition of our brands, and capture an increasing share in a number of markets by providing consumers with both a lifestyle brand that they relate to and want to support as well as innovative high-quality products. We seek to differentiate our brands by emphasizing authenticity within our target markets and the functionality and quality of our products. In pursuit of this goal, we have adopted operating and growth strategies that provide the framework for our future growth, while maintaining the quality and integrity of our brands.

Operating Strategy

- *Sustain Brand Authenticity.* To sustain the authenticity of our brands, our grassroots marketing programs feature product placement and/or advertising in the bare foot fitness markets, participation in and sponsorship of events, sponsorship of key ambassadors and other iconic personalities within the broader athleisure market. In selecting our ambassadors, we focus on their personality and marketability. These marketing efforts reinforce our authentic heritage and our positioning as an influential group of brands selling premium quality, innovative, products. We intend to preserve our brand authenticity by distributing our products through fitness and other boutiques and lifestyle specialty retail stores.
- *Drive Product Demand Through Superior Quality and Innovative Product.* We believe our reputation for high quality and innovation will distinguish our products from those of our competitors and provide us with significant competitive advantages. Our products are developed to provide all of the performance characteristics needed for fitness activities, but delivered through highly fashionable premium products. We intend to continue developing innovative products and product categories in order to preserve and strengthen our positioning as the leader in bare foot fitness products.
- *Actively Manage Distribution.* We intend to manage the retail sales process by monitoring customer sales, inventory levels, store promotions, in store presentation, and other retail level data to ensure optimal brand representation, product offering, and sell through. Our sales programs, including in-store promotions, point of purchase displays and marketing materials, assist our authorized retailers in promoting our brands and product story while maximizing the implementation of our consumer marketing initiatives.

Wholesale Distribution

Our distribution strategy is based on our belief that the integrity and success of our brand is dependent on responsible growth, capturing the interest of our target consumer, and ease of purchase within our target regions. We distribute our products through various channels both domestically and internationally that resell our products to our target consumers. We believe our products have very wide distribution opportunities including fitness boutiques, department stores, on-line retailers, natural grocery, footwear specialty, and sporting goods. Additionally, we intend to maintain a robust direct to consumer sales strategy through our direct-to-consumer web sites.

We request that our retailers maintain specific standards of brand representation at the point of sale, including minimum inventory levels and point of purchase branding.

Our distributors must comply with distribution contracts outlining the terms and conditions of the distribution, resale, and marketing of our products. Distributors also must agree not to resell or divert products through unauthorized channels of distribution or outside of their geographic distribution area.

We understand that our retail partners represent the link between our brand and the consumer; therefore, we will focus on building relationships with these retailers, their retail sales staff, and our distributors. Our retail marketing and sales support teams will ensure that our sales representatives and retail partners have the tools, knowledge and support to sell our products. We provide displays, point of purchase materials, sampling, in-store promotions, and other sales support materials that assist in sell though while building relationships with our retail partners.

We believe that the boutique fitness studio movement shows no signs of slowing. Fitness consumers are now looking for a unique experience that's different from the traditional gym. More specifically, boutique fitness converts are looking for unique offerings, a personalized workout, and a social experience.

The Company may also capitalize on the changing buying patterns as more consumers defer trips to the mall and other brick and mortar locations in favor of boutique retail options. We believe this shift has significantly benefitted the boutique studio market with many locations generating a large portion of their revenue from retail operations.

E-Commerce

Our E-Commerce business which consists of revenue derived from Amazon and our direct to consumer websites, are a key component of our growth model and represented. Sales derived from our direct to consumer sales channel were 11.8% of revenue for the nine months ending March 31, 2023.

Promotion and Advertising

Currently we focus our marketing efforts on female consumers ranging in age from 25 – 45 that have disposable income. However, through new brands, products, and expansion in our distribution, we believe we will reach a much broader consumer base.

We intend to retain significant control over all of our promotional programs, which enables us to deliver a more targeted, consistent and recognized marketing message. Our commitment to marketing at the grassroots level in segments of the athleisure market will allow us to remain authentic to our target consumer. Our consumers generally have substantial disposable income, purchase premium quality goods, and engage in boutique fitness regiments which can be very costly. This consumer will generally pay more for a higher quality product.

We also have created grassroots marketing programs that focus on growing our brands within our target demographic through substantial social media outreach, in store point of purchase marketing, sponsoring in studio events, e-blast and blog campaigns, product placement, and print advertising.

Our Products

Our products are designed for individuals who embrace athletic activities and their related day-to-day lifestyle. Innovative design and quality are emphasized. We believe our most valuable input comes from our own managers, employees, customers and sponsored ambassadors who are involved in various athletic activities such as Pilates, barre, yoga, dance, cycling, HIIT, assisted stretching, and other athletic regiments. Our connection with these markets continues to be the inspiration for our product and brands and is critical to our reputation for distinct and authentic marketing and products.

We believe that product details play an extremely important role in consumer buying decisions; therefore, we pay considerable attention to product details throughout the development process.

We differentiate our products from those of our competitors principally through innovation and unique designs and detailing of our products. In certain instances, we believe that such innovations will allow us to achieve significant consumer acceptance of our product offerings. We believe that the substantial experience of our design and development team will greatly enhance our ability to capture market share and maintain consumer loyalty.

The following outlines our current product offerings, as well as products we expect to introduce during the next 18 months:

- ToeSox
 - Grip socks
 - Grip Gloves

- TAVI
 - Grip socks
 - Sport socks
 - Casual socks
 - Apparel
 - Hair accessories

- Base33
 - Grip socks
 - Sport socks

- Vooray
 - Gym Bags
 - Duffel Bags
 - Backpacks
 - Hip packs
 - Cross body bags
 - Yoga mat bags
 - Totes

Manufacturing and Quality Assurance

We currently require minimal investment in machinery or property because we have created alliances with independent manufacturers of raw material and finished goods that are located primarily in China. These long standing relationships enable us to maintain low product development costs and capitalize on a shorter product-to-market cycle. We maintain a staff of Quality Assurance and Quality Control technicians on-site every day at each factory in our effort to ensure the highest level of quality in all of our products.

Intellectual Property

We use a combination of patents, trademarks, copyright, trade secret and trade dress laws to protect our intellectual property. We have numerous registered or pending patents and trademarks for various classes and in various countries throughout the world. We have been very successful in protecting our registered intellectual property against both small and large companies with damages paid by defendants covering costs of litigation in many cases.

In the future, we may encounter disputes over rights and obligations concerning intellectual property. We believe that our products, design, and manufacturing processes do not infringe the intellectual property rights of any third party; however, we cannot assure you that we will prevail in all intellectual property disputes.

Competition

The sock, athleisure, and apparel markets are very competitive with a variety of large and small companies offering competing products. We have numerous competitors, some of whom have substantially greater financial and other resources than we do.

Corporate and Distribution Facilities

Our corporate headquarters is approximately 16,000 square feet and is located in Vista, California. Our distribution center is in Tijuana, Mexico, using a third party logistics company. We have a wholly owned subsidiary in Lugano, Switzerland and offices with contracted services in Haining, China and Tijuana, Mexico.

Employees

The Company, including its Swiss subsidiary, currently has forty-seven full-time employees. We have twelve contractors that work exclusively for us in China as our Quality Control (“QC”), development, and logistics team. In Mexico, we have eight full-time contractors who work through an independent employment agency, and approximately twenty contractors that work exclusively for us in our warehouse through a third party warehouse provider.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our internal unaudited financial statements and related notes for the nine month period ending March 31, 2023 and for the nine month period ending March 31, 2022, and our compiled and audited financial statements and related notes the fiscal years ending June 30, 2022 and 2021, included in this offering circular. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss certain factors that we believe could cause or contribute to these differences below and elsewhere in this offering circular.

Overview

Founded in 2004, ToeSox, Inc. became a global leader in five-toe grip socks for the bare foot fitness markets, such as yoga, Pilates, and barre. In 2015, ToeSox, Inc., a single brand, announced its goal to become a global powerhouse in supplying premium activewear products to the boutique fitness market. Since then, ToeSox, morphed into Thirty Three Threads, a company with a portfolio of premium brands, ToeSox, TAVI, Base 33, and Vooray. Thirty Three Threads products are sold in more than 7,500 locations in 64 countries.

Since the launch of this strategy, the Company has grown by more than 400%, acquired TAVI and Vooray, and launched Base 33. The Company added new product categories such as sport socks, apparel, and bags.

The Company plans to continue to expand our distribution, brand portfolio, and product offering, allowing us to accelerate our growth on a global basis. The Company's growth strategy is anchored on four key pillars: Distribution, Innovative, Value-Added Dealer Services, and E-Commerce.

Distribution

While the Company's products are distributed in more than 7,500 locations globally, the Company plans to continue to expand that distribution, including substantial growth outside of our core boutique fitness distribution channel.

Innovative Products

The Company has always been known as a leader in premium, innovative product, and will continue to push that effort forward developing new products that better service our customers from a design, quality, and performance perspective.

Value Added Dealer Services

The Company has led the way in developing the retail sales within the boutique fitness distribution channel. The Company will continue to innovate and offer wholesale partners new programs to enhance their business, including 33 Pay extended payment programs, Shop-in-shop displays, auto replenishment services, and various count and fill programs.

E-Commerce

For the nine months ending March 31, 2023, the Company derived only 11.8% of its total revenue from E-commerce channels such as direct to consumer and marketplaces like Amazon.com. The Company intends to grow global E-commerce business to approximately 20% of sales over the next several years, through innovative marketing programs, expansion in marketplaces, and opening the Company's first retail outlets.

Financial Highlights

The summary below compares the internal unaudited results of our operations for the nine months ended March 31, 2023 as compared to the unaudited nine months ended March 31, 2022 and provides GAAP financial measures.

- Net revenue increased by 30.5% or \$5,238,713 as compared to the same period in the prior year.

- Gross profit increased 34.8% and gross margins improved from 64.2% for the nine months ending March 31, 2022 to 66.3% for the nine months ending March 31, 2023.
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) improved by \$1,729,074 from an EBITDA loss of -\$866,595 for the nine months ending March 31, 2022 to a positive EBITDA of \$862,479 for the nine months ending March 31, 2023 .

Net Income (loss) improved by \$871,649 from a loss -\$718,150 for the nine months ending March 31, 2022, to a net income of \$153,498 for the nine months ending March 31, 2023.

Results of Operations

Nine Months Ending March 31, 2023 Compared to Nine Months Ending March 31, 2022

The following table summarizes the internal unaudited results of our operations for the nine months ended March 31, 2023 as compared to the nine months ended March 31, 2022.

	<u>Mar-23</u>	<u>Mar-22</u>	<u>\$ Change</u>
Net Revenue	\$ 22,435,919	\$ 17,197,206	\$ 5,238,713
Gross Profit	14,881,887	11,042,930	3,838,957
EBITDA	862,479	(866,595)	1,729,074
Net Income (Loss)	153,498	(718,150)	\$ 871,649

Revenue

The Company recognizes revenue at the time the product is shipped to the customer, customarily FOB shipping point, which is when the transfer of control of goods has occurred and title passes. There are contracts with other shipping terms, such as FOB destination, and revenue is recognized according to those specific terms. Revenue is recorded net of estimated returns and sales discounts given to customers.

Revenue was \$22,435,919 for the first nine months of FY 2023 ending March 31, 2023 and was \$17,197,206 for the first nine months of FY 2022 ending March 31, 2022.

Cost of Revenue

Cost of revenue was \$7,554,032 in for the first nine months of FY 2023 ending March 31, 2023 and was \$6,154,276 for the first nine months of FY 2022 ending March 31, 2022. The increase in the cost of revenue was primarily due to the increase in revenue, and increased freight and raw materials.

Shipping and handling are billed to customers and recorded in net revenue. Total shipping revenue for the first nine months of FY 2023 ending March 31, 2023 and the first nine months of FY 2022 ending March 31, 2022 was \$550,880 and \$329,857, respectively. The increase in total shipping revenue was driven by an overall increase in revenue, which directly correlates to the shipping and handling billed to customers.

Gross Margins

Gross profits for the first nine months of FY 2023 ending March 31, 2023 and the first nine months of FY 2022 ending March 31, 2022 were \$14,881,887 and \$11,042,930, which represented gross profit margins of 63.3% and 64.2%, respectively. Gross profits generated from our sock revenue is higher than gross margins generated on apparel revenue. In addition, international sales, have a lower margin than our higher-margin wholesale and DTC channels.

Selling, General and Administrative Expenses

SG&A for the first nine months of FY 2023 ending March 31, 2023 and the first nine months of FY 2022 ending March 31, 2022 were \$14,019,408 and \$11,909,525, respectively. The Company's marketing and advertising expenses are recorded in SG&A and were \$2,074,590 for the first nine months of FY 2023 ending March 31, 2023 and \$2,031,524 for the first nine months of FY 2022 ending March 31, 2022.

Total Other Income (Expense)

For the nine months ending March 31, 2023 and March 31, 2022 we had other income of \$10,054 and \$572,034, respectively. Other income in fiscal 2022 included forgiveness for PPP loans related to COVID 19.

Comprehensive Gain / Loss

Accordingly, we had a comprehensive gain for the first nine months of FY 2023 ending March 31, 2023 of \$153,498 compared to a comprehensive loss for the first nine months of FY 2022 ending March 31, 2022 of \$718,150.

For Fiscal Year Ended June 30, 2022 (“FYE 2022”) Compared to Fiscal Year Ended June 30, 2021 (“FYE 2021”) please refer to the Company’s Annual Report.

Liquidity and Capital Resources

Nine Months Ending March 31, 2023 Compared to Nine Months Ending March 31, 2022

As of March 31, 2023 and March 31, 2022, the Company’s available cash was \$746,536 and \$989,506, respectively. The Company needs substantial capital to fund its operations and growth strategy. Much of the Company’s operations and working capital needs have been funded with debt.

Regulation Crowdfunding Offering

As of June 30, 2021, the Company raised net proceeds of \$618,111 and issued 376,686 shares of Common Stock in an offering made in reliance on Regulation Crowdfunding. The proceeds from this offering were used for general working capital as well as investments in our e-commerce business.

Black Oak Debt and Purchase of Series A Preferred Stock

Beginning in October 2019, the Company entered into a Senior Subordinated Credit Agreement with Black Oak Capital (“Black Oak”) involving \$1,000,000 plus warrants to purchase the Company’s Common Stock at \$0.0006 per share. Black Oak exercised its warrants in November 2020, and now holds 165,060 shares of the Company’s Common Stock. On October 12, 2020, the Company and Black Oak amended the terms of the Senior Subordinated Credit Agreement to increase the loan to \$1,500,000 and give Black Oak the right to convert the full amount of debt into 931,674 shares of the Company Series A Preferred Stock. In connection with that agreement, Black Oak also purchased an additional 931,680 shares of Series Preferred A Stock for consideration of \$1,500,000. On December 27, 2021, the Company and Black Oak amended the Senior Subordinated Credit Agreement such that Black Oak would loan the Company an additional \$1,750,000, which also would be convertible into Series A Preferred Stock. \$500,000 of the amount loaned was used by the Company to repay amounts owed by the Company to Black Oak Thirty Three Threads Aggregator, LLC. The Company then used \$1,000,000 of the loan proceeds to purchase Vooray (see below) and the remaining \$250,000 for working capital, including replenishing inventory. On May 9, 2023, Black Oak converted the remaining outstanding debt of \$1,177,726, including accrued interest, into 731,507 shares of Series A Preferred Stock at a price of \$1.61 per share. As of the date of this Memorandum, the Company no longer owes any amounts to Black Oak, and Black Oak owns a total of 2,594,861 shares of Series A Preferred Stock, which entails special rights including a board seat and liquidation preference. For details regarding the rights of the Series A Preferred Stock see “Description of Securities.”

Vooray Asset Purchase Agreement

On January 7, 2022, the Company purchased substantially all of the assets of Vooray International, Inc. (“Seller”) for total consideration of \$5,000,000. Of that amount, \$1,000,000 was paid in cash and \$500,000 was paid through issuance of 250,000 shares of the Company’s Common Stock at a price of \$2.00 per share. The remaining \$3,500,000 (the “Seller Financed Portion”) has been financed such that Seller receives on a quarterly basis either: (i) 20% of gross proceeds from the sale of Vooray branded products or (ii) \$87,500 until Seller receives the full Seller Financed Portion. The Seller Financed Portion was initially secured by a first priority UCC-1 financial statement, but now is subordinated to our revolving credit facility (see below). Seller also entered into a Voting Rights Agreement Right of First Refusal Agreement, described in “Description of Securities.”

Finance Group Corporation Loan

On March 15, 2022, certain of the Company’s officers and stockholders formed Financing Group Corporation (“FGC”) for the purpose of loaning the Company \$1,140,000. The funds were used for the purpose of paying off the Company’s previous

revolving credit facility with Comerica and to provide working capital. The loan carries an annual interest rate of 10%, which increases to 20% annual interest in the event of a default, and has an amended maturity date of December 31, 2023. In connection with the loan, FGC received a first priority security interest in the Company's assets, which has since been subordinated to our revolving credit facility (see below) and 187,814 warrants to purchase Common Stock at an exercise price of \$0.50. The warrants expire on March 17, 2029. As of March 31, 2023, the Company owed \$531,440 under this loan.

Government Loans Issued During the Pandemic

The Company also obtained loans through the Small Business Administration's Paycheck Protection Program ("PPP loan") and Economic Injury Disaster Loan Program ("EIDL loan") in the amounts of \$601,900 and \$577,800 as PPP Loan and \$150,000 for EIDL Loan. The PPP loans was used for the Company's payroll, lease payments and utilities. The first PPP Loan of \$601,900 was forgiven as of May 24, 2021. Second PPP Loan of \$577,800 was forgiven as of September 29, 2021. The EIDL loan was used for the purposes of funding working capital requirements and monthly repayment of \$731 in principal and interest began July 2021. As of June 30, 2022 the balance of the EIDL Loan was \$146,798. For details regarding the terms of the EIDL loan, see "Indebtedness," below.

Revolving Credit Facility

Other ongoing sources of liquidity for the Company include a revolving credit agreement with Celtic Bank under which we can borrow up to \$4,000,000 with an interest rate of prime plus 5.5% and a maturity date of June 23, 2023. The Company is required to maintain certain financial and non-financial covenants in accordance with the line of credit agreement. The line of credit is guaranteed by Joe Patterson, our Chairman of the Board, and Barry Buchholtz, our CEO who also serves on our Board. Additionally, Celtic has a first position UCC-1 filing on substantially all of the Company's assets. As of March 31, 2023, the Company had a balance of \$1,772,557.

Commitments and Contingencies

On August 9, 2021, a second amendment to the Company's lease agreement for office space was agreed upon. The lease is extended to January 31, 2026 and includes modification of the monthly rent payments by 2.8% in year 1, (2.6)% in year 2, and 5% in each year 3, 4 and 5. The building owner agreed to provide \$100,000 in building improvements in the first year. As of March 31, 2023, monthly rent is \$20,843. For details regarding the Company's commitments and contingencies, please see Note 6 to our financial statements for Nine-Month Periods ending March 31, 2023 and 2022 and Note 7 to our financial statements for the Fiscal Years Ended June 30, 2022 and 2021.

Balance Sheet

The following table summarizes our internal unaudited assets and liabilities as of March 31, 2023 as compared as of March 31, 2022 and June 30, 2022:

	<u>Mar-23</u>	<u>Mar-22</u>	<u>Jun-22</u>
Assets			
Current Assets	\$ 9,753,254	8,690,764	\$ 8,605,435
Non Current Assets	5,983,045	5,775,031	6,704,724
Total Assets	15,736,299	14,465,795	15,310,159
Liabilities & Equity			
Current Liabilities	10,811,048	7,654,887	8,926,125
Non Current Liabilities	3,000,414	5,064,822	5,588,223
Total Liabilities	13,811,462	12,719,709	14,514,348
Equity	1,924,836	1,746,086	795,811
Total Liabilities & Equity	15,736,299	14,465,795	15,310,159

The company's current assets increased by \$308,125 from June 30, 2022 to March 31, 2023. The increase was primarily driven by an increase in receivables in the amount of \$1,088,084 which was offset by a decrease in cash of \$567,724 driven by the timing of collections.

Non-current assets increased by \$118,015 from June 30, 2022 to March 31, 2023. The increase was primarily driven by an increase in intangible assets by \$128,945.

Current liabilities increased by \$1,884,923 while non-current liabilities decreased by \$2,587,809 from June 30, 2022 to March 31, 2023. This was primarily driven by a reclassification of a note payable from long term to current. Subsequently, on May 9, 2023, the Company and Black Oak agreed to convert \$1,177,726.27 of debt to 731,507 shares of Series A Preferred Shares at a price of \$1.61 per share

Equity increased by \$1,129,025 from June 30, 2022 to March 31, 2023.

For Fiscal Year Ended June 30, 2022 (“FYE 2022”) Compared to Fiscal Year Ended June 30, 2021 (“FYE 2021”) please refer to the Companies Annual Report.

INDEBTEDNESS

The following describes our indebtedness as of March 31, 2023:

Creditor: Black Oak Capital LLC

Amount Owed: \$1,242,082 as of March 31, 2023

Interest Rate: 15.0%

Maturity Date: December 31, 2023

On May 9, 2023, Black Oak converted the remaining outstanding debt of \$1,177,726, including accrued interest, into 731,507 shares of Series A Preferred Stock at a price of \$1.61 per share. As of the date of this Memorandum, the Company no longer owes any amounts to Black Oak.

Creditor: Celtic Bank

Amount Owed: \$1,772,557 at March 31, 2023

Interest Rate: Prime plus 5.50%

Maturity Date: June 23, 2024

The Company has a revolving credit facility with Celtic Bank with a ceiling of \$4,000,000 and an interest rate of prime plus 5.50%. The Company is required to maintain certain financial and non-financial covenants in accordance with the line of credit agreement, and the line of credit is guaranteed by Joe Patterson and Barry Buchholtz. Additionally, Celtic has a first position UCC-1 filing on substantially all of the Company's assets.

Creditor: Comerica Bank (SBA – EIDL)

Amount Owed: \$144,317

Interest Rate: 3.75%

Maturity Date: July 21, 2050

The Company obtained this loan from Comerica Bank through the Small Business Administration's Economic Injury Disaster Loan program for the purposes of funding working capital requirements. Repayment of \$731 in principal and interest commenced July 2021.

Creditor: Joe Patterson

Amount Owed: \$118,166 as of March 31, 2023

Interest Rate: 5.0%

Maturity Date: December 31, 2023

Joe Patterson is the Chairman of the Board of Directors. Monthly payments have been suspended due to subordination to Celtic Bank.

Creditor: Franklin Slade Holdings

Amount Owed: \$33,745 as of March 31, 2023

Interest Rate: 5.0%

Maturity Date: November 30, 2023

Franklin Slade Holdings is owned by Barry Buchholtz, the Company's President, and Director, as a principal. Barry's daughter's trust also is a part-owner of Franklin Slade Holdings. Monthly payments have been suspended due to subordination to Celtic Bank.

Creditor: Finance Group Corporation

Amount Owed: \$531,440 as of March 31, 2023

Interest Rate: 10.0%

Maturity Date: 12/31/2023

On March 15, 2022, certain of the Company's officers and stockholders formed Financing Group Corporation ("FGC") for the purpose of loaning the Company \$1,140,000. The annual interest rate increases to 20% annual interest in the event of a default, and has an amended maturity date of December 31, 2023. In connection with the loan, FGC received a first priority security interest in the Company's assets, which has since been subordinated to our revolving credit facility. For more details, see "Management's Discussion and Analysis – Liquidity."

Creditor: Lloyd & Leo, Inc. (FKA Vooray International, Inc.)

Amount Owed: \$3,028,320 as of March 31, 2022

Interest Rate: 0%

Maturity Date: 01/09/2032

Note payable to the former owners of Vooray of \$3,500,000 originally. The Company shall make quarterly payments of the greater of 20% of the net proceeds from the sale of Vooray branded products or \$87,500, until the seller has received a total of \$3,500,000. The note is subordinated to the line of credit.

For details regarding the Company's notes, please see Note 6 to our financial statements for Nine-Month Periods ending March 31, 2023 and 2022 and Note 7 to our financial statements for the Fiscal Years Ended June 30, 2022 and 2021.

Board of Directors and Management

Our management team consists of the following people:

Name	Position	Term of Office	Approx. hours per week (if not full time)
Executive Team:			
Barry Buchholtz	Chief Executive Officer*	December 2021	
Chris Dunn	Chief Financial Officer	May 2023	
Kaila Harter	Vice President and General Counsel, Secretary	October 2021	
Matt Weaber	Vice President of Sales	January 2016	
Valerie Hudson	Vice President of Product	February 2019	
Directors:			
Joe Patterson	Chairman	January 2004	
Barry Buchholtz	Director	January 2012	
DeeDee Wilson	Audit Chair	November 2020	
Kurt Hanson	Compensation Chair	September 2022	

* Barry Buchholtz joined the Company in January 2012 as the President and Secretary, in December 2021 he assumed the role of Chief Executive Officer. Kaila Harter was voted as the Company’s Secretary by the Board of Directors in September 2022.

Board of Directors

Joe Patterson—Founder and Chairman of the Board of Directors: Joe Patterson started his career with GAF, a three billion dollar Fortune 500 company. He began as a sales rep and over seven years was elevated to a Regional Sales Manager for Southern California. While still employed with GAF, Joe founded the Company in 2003 in his garage and began to develop the brand, its product, and the essentially created the grip-sock industry. Since then, Joe has led the Company to become the leader in grip socks with numerous patents and technologies that he personally developed. Joe has also become a leading figure in the Pilates world; he is always working to further the

performance and acceptance of Pilates on a global level. Joe manages the design, product development, and manufacturing aspects of the business. Joe received his B.S. degree in Biology from San Diego State University in 1994. Joe Patterson has an employment agreement with the Company with both base salary and bonus based on achieving revenue and earning targets.

Barry Buchholtz – Board Member (profile below)

Kurt Hanson – Director and Chair of the Compensation Committee: Kurt Hanson is a creative business consultant with executive management, business development, leisure services and financial industry experience. A bilingual expert in consulting for businesses forming partnerships with Japanese and American corporations and individuals. Successful and experienced COO and Advisor in the wealth management, financial services and insurance industries. Kurt has been the managing Director of Black Oak Capital since January of 2022. Prior to that, Kurt was Director Of Business Development for Cornerstone Wealth Management. Additionally, Kurt has been an Adjunct Professor at University of Nevada, Las Vegas, for the past three years.

DeeDee Wilson – Director and Chair of the Audit Committee: DeeDee has served as Executive Vice President, Finance & Administration and Chief Financial Officer at InterVarsity Christian Fellowship/USA, a nonprofit organization that serves as a ministry for college campuses, since January 2017. In this role she is a member of the executive leadership team collectively responsible for execution of strategic and annual goals, including all aspects of finance, human resources, technology, legal, risk management, real estate and customer service functions.

Open Seat – The fifth board seat is currently open and candidates for this role are being evaluated.

Board Committees

Thirty Three Threads has two sub-committees within the Board of Directors, and Audit Committee and a Compensation Committee. DeeDee Wilson acts as the Chair of the Audit Committee and Kurt Hanson acts as the Chair of the Compensation Committee.

Officers

Barry Buchholtz – Board Member and Chief Executive Officer: Barry Buchholtz was Director of Operations at Kaypro Corp, the 4th largest computer manufacturer in the world, during the late 1980's. Barry managed the restructuring of manufacturing, oversaw operations as well as the European subsidiary in Maastricht, Germany. He then became Chief Operations Officer for Professional Technologies, a Los Angeles based PC manufacturer with over \$100 million in annual revenue. In 1992, Barry joined Wisconsin-based Vision Technologies, LLC, a division of BTC, a public company listed on the Taiwan exchange, as its Chief Operations Officer. In 1997, Barry moved back to California and joined Spy Optic, Inc. as its President and later the CEO. Spy was a leader in the eyewear industry and went public on the Nasdaq exchange in 2004. In 2008, Barry joined Chrome Hearts Eyewear, the global leader in luxury eyewear, as its General Manager for its European operations. The company was acquired and Barry moved back to the US to join ToeSox Inc. and now serves as its Chief Executive Officer. Barry has an employment agreement with the Company with both base salary and bonus based on achieving revenue and earning targets. If Barry is terminated without cause, then the Company must repurchase his Shares in the Company.

Chris Dunn – Chief Financial Officer: Chris Dunn was Chief Financial Officer of Covad Communications, a leading competitive local exchange carrier listed on the American Stock Exchange from 2005 to 2008 where he led a \$50 million improvement in EBITDA for the \$500 million annual revenue company. Chris also led the acquisition of GoBeam and Nextweb as well as a \$50 million strategic investment from Earthlink. From 2008 to 2016, Chris was the CEO of two action sports brands Surftech and SUP ATX where he restructured and managed their growth through the sale of both companies. Chris played pivotal roles in finance, operations, and IT at Beachly Brands from 2020 to 2022, driving double-digit year-over-year growth as an Inc 500 fastest growing private company for three consecutive years. He holds a Bachelor of Science degree in Economics and Finance from Elmhurst College (1993) and currently serves on the Board of Directors of AgColo, a SaaS and IoT company.

Senior Management

Kaila Harter - Vice President and General Counsel and Secretary: Kaila Harter is a California licensed attorney with experience in mergers and acquisitions, business disputes, antitrust regulations, and intellectual property. Kaila joined Thirty Three Threads in 2021 as Vice President and General Counsel. Kaila also serves as Thirty Three Threads Corporate Secretary. Kaila handles all general legal matters for the Company, oversees and drives the acquisitions and integrations, and works with investors and potential business partners on capital raises and investment opportunities. Prior to joining Thirty Three Threads, Kaila worked as an associate attorney at the large, multinational law firms of Morrison & Foerster and Davis Wright Tremaine, and worked as an integral part of the T-Mobile and Sprint merger as well as serving as litigation counsel on a range of commercial and intellectual property disputes. Kaila also served as a judicial extern to the Honorable Cynthia Bashant, U.S. District Court for the Southern District of California, and graduated Marine Corps Officer Candidate School. Kaila earned a bachelor's degree, *magna cum laude*, in Political Science from the University of California, San Diego, and earned a Juris Doctorate degree from UCLA School of Law. Kaila has an employment agreement with the Company with both base salary and bonus based on achieving revenue, earnings, and acquisition targets.

Matt Weaber – Vice President of Sales: Matt Weaber joined Thirty Three Threads in 2016 and is currently the VP of Sales. Matt works closely with the President and CEO to drive domestic sales, and optimize wholesale distribution and expansion into adjacent markets. Matt was the Global Director of Sales at prAna from 2001 – 2016, when the company's global wholesale business grew from \$3M to greater than \$85M. During this time, Matt also consulted with brands in industries including outdoor, sporting goods, active apparel, and home goods. This work was primarily focused on sales strategy, organizational go-to-market plans, team structure, online strategy, and omni-channel optimization. Matt has also acted as an advisor to buying groups such as Grassroots Outdoor Alliance. Matt earned a bachelor's degree in Business Management in 2001. Matt has an at will employment agreement with the Company with both base salary and bonus based on achieving revenue targets.

Valerie Hudson – Vice President of Product: Valerie is a preeminent merchandising expert with 20+ years of experience and has held leadership roles at globally-recognized brands such as Lululemon, Nike, and Oakley. With a demonstrated track record of growing category businesses, she has taken multiple collections from the idea stage through to successful international launches. Her specialties include merchandising, allocation, planning, buying, strategic growth, and product development. She is passionate about bringing teams together and identifying new opportunities within the market. Prior to joining Thirty Three Threads in 2019 as Vice President of Product, Valerie was the VP of Product & Merchandising for Pure Barre. Valerie temporarily left Thirty Three Threads in February 2021 to work at Apparel Help Desk as President until March 2022 when Valerie resumed her role at Thirty Three Threads in March 2022. Valerie holds an MBA from Loyola University with a double concentration in International Marketing & Finance. Valerie is an at will employee with the Company with both base salary and bonus based on achieving revenue and product specific targets.

Founders Compensation

Barry and Joe each have an employment agreement with the Company whereby they receive a salary and have an opportunity to earn a bonus. Currently, Barry and Joe are paid the same amount, and Barry and Joe have a written agreement that they shall continue to receive the same amount unless a variation is approved by both of them, or an independent Board Member.

Legal Proceedings

From time to time, we have been and may continue to be party to lawsuits in the ordinary course of business. However, we are currently not a party to any material legal proceeding.

Options

The Company has an option plan. The Company has entered into a Stock Option Agreements with 42 employees with a total of 3,281,466 options outstanding with exercise prices ranging from \$0.52 to \$2.00.

The Company's Stock Option Plan has an Evergreen provision allowing it to offer additional options to its employees through the Employee Stock Option Plan. For details see "Security Ownership of Management and Certain Securityholders."

Related Party Transactions

Barry Buchholtz has a note outstanding to the Company which as of March 31, 2022 was in the amount of approximately \$400,000, which debt was incurred in Barry's purchase of his Company Shares. The note is payable monthly, bears interest at 0.95% per annum, and is secured by Barry's Shares. The balance is due and payable if Barry sells his Shares. If Barry leaves the Company for any reason, he may continue to make monthly payments of \$500 per month on this note.

Finance Group Corporation ("FGC") has loaned monies to Thirty Three Threads at market terms and conditions. FGC is 78% owned by Joe Patterson, Barry Buchholtz, Kaila Harter, and Matt Weaber. For details see "Management's Discussion and Analysis – Liquidity – Financing Group Corporation."

Joe Patterson and Barry Buchholtz have guaranteed the Company's revolving credit facility with Celtic Bank. For more information see "Management's Discussion and Analysis – Liquidity – Revolving Credit Facility" and "Indebtedness."

Regulatory Information

The Company, having offered and sold Common Stock pursuant to Regulation Crowdfunding under the Securities Act of 1933, as amended (the "Securities Act") files annual reports pursuant to Rule 202 of Regulation Crowdfunding, which may be found on the Company's website at <https://www.thirtythreethreads.com/investor-relations/>.

EXHIBIT A

SUBSCRIPTION AND SHAREHOLDER AGREEMENTS

SUBSCRIPTION AGREEMENT

Subscription. The undersigned (the “**Subscriber**”) hereby irrevocably subscribes for a Common Stock (the “**Shares**”) in THIRTY THREE THREADS, INC, a California corporation (the “**Company**”), in the amount indicated on the signature page of this Subscription Agreement. Such subscription, when and if accepted by the Company, will constitute a purchase of securities. Capitalized terms used and not otherwise defined in this Subscription Agreement have the meanings respectively ascribed to them in the Shareholders Agreement. The undersigned acknowledges that this is a “no minimum” offering and that the Company can close this subscription before the end of the offering period.

1. Representations, Warranties and Agreements by Subscriber. The Subscriber hereby represents, warrants and agrees as follows:

(a) The Shares are being purchased by the Subscriber and not by any other person, with the Subscriber’s own funds and not with the funds of any other person, and for the account of the Subscriber, not as a nominee or agent and not for the account of any other person. On acceptance of this Subscription Agreement by the Company, which shall be in the Company’s sole and absolute discretion, no person other than the Subscriber will have any interest, beneficial or otherwise, in the Shares. The Subscriber is not obligated to transfer the Shares or any part thereof or interest therein to any other person nor does the Subscriber have any agreement or understanding to do so. The Subscriber is purchasing the Shares for investment for an indefinite period, not with a view to the sale or distribution of any part or all thereof by public or private sale or other disposition. The Subscriber has no intention of selling, granting any participation in or otherwise distributing or disposing of any Shares. The Subscriber does not intend to subdivide the Subscriber’s purchase of the Shares with any person.

(b) The Subscriber understands that the Shares have not been registered or qualified under the Securities Act or any other securities law or regulation, on the ground, among others, that no distribution or public offering of the Shares is to be effected and the Shares will be issued by the Company in connection with a transaction that does not involve any public offering within the meaning of Section 4(a)(2) of the Securities Act or applicable provisions of other securities laws and regulations, under the respective rules and regulations of the SEC and the administrators of such other laws and regulations thereunder. The Subscriber understands that the Company is relying in part on the Subscriber’s representations herein for purposes of claiming such exemptions and that the basis for such exemptions may not be present if, notwithstanding the Subscriber’s representations, the Subscriber has in mind merely acquiring the Shares for resale on the occurrence or non-occurrence of some predetermined event. The Subscriber has no such intention.

(c) The Subscriber, either alone or with the Subscriber’s professional advisers who are unaffiliated with, have no equity interest in and are not compensated by the Company or any Affiliate or selling agent of the Company, directly or indirectly, has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Shares and has the capacity to protect the Subscriber’s own interests in connection with the Subscriber’s proposed investment in the Shares.

(d) The Subscriber understands that the rights of the Common Stock are as set forth in the Subscription and Shareholders Agreements, Amended and Restated Articles of Incorporation and Bylaws and other documents as provided on the Dealmaker Investment Portal.

(e) The purchase price for the Securities shall be paid simultaneously upon execution of the documents on the Dealmaker Investment Portal. Upon completion of verification that the Subscriber meets the criteria as described herein, the Company shall countersign the agreement and deposit such funds into the Companies operating account. If for whatever reason the Company shall decline the investment, which shall be on the Company's sole and absolute discretion, the funds shall be returned to the Subscriber.

(f) Financial Statements of the Company for the nine months ending March 31, 2023 (unaudited), for the nine months ending March 31, 2022 (unaudited), for the twelve months ending June 30, 2022 (unaudited), and for the twelve months ending June 30, 2021 (audited) collectively the "Financial Statements," have been made available to the Subscriber and appear in the Offering Materials. The Financial Statements are based on the books and records of the Company and fairly present the financial condition of the Company as of the respective dates they were prepared and the results of the operations and cash flows of the Company for the periods indicated.

(g) By subscribing to the offering and executing this Subscription Agreement, Subscriber will become party to the Company's Shareholder Agreement attached hereto as Appendix II.

(h) The Subscriber understands that the current maximum number of shares available in this offering is 3,636,363, however the Company, in its sole and absolute discretion may increase or decrease the number of shares in the offering.

(i) The Subscriber understands that the Company is prohibited from accepting a subscription for Shares by any person or entity that is acting, directly or indirectly, in violation of any anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, including any person, entity or organization that is included on any so-called "watch list" maintained by any governmental agency of the U.S. (including, but not limited to, the U.S. Central Intelligence Agency, the U.S. Department of the Treasury, the U.S. Federal Bureau of Investigation, the IRS, the U.S. Office of Foreign Assets Control and the SEC) (each such person or entity being called herein a "**Prohibited Investor**"):

(1) The Subscriber is not (A) acting as an agent, representative, nominee or intermediary for any other person, entity or other beneficial owner (each such person, entity or owner being called herein an "**Underlying Beneficial Owner**") and no Underlying Beneficial Owner has any beneficial or economic interest in the Shares, (B) a Prohibited Investor

or (C) a senior foreign political figure,¹ an immediate family member of a senior foreign political figure² or a close associate of a senior foreign political figure.³

(2) The assets used to subscribe for the Shares hereby were not derived, directly or indirectly, from any illegal activity or source.

(j) The Subscriber understands:

(1) The risks involved in this offering, including the speculative nature of the investment;

(2) The financial hazards involved in this offering, including the risk of losing the Subscriber's entire investment;

(3) The lack of liquidity and restrictions on transfers of Shares; and

(4) The tax consequences of this investment.

The Subscriber has consulted with the Subscriber's own legal, accounting, tax, investment and other advisers with respect to the tax treatment of an investment by the Subscriber in Shares and the merits and risks of an investment in Shares.

(k) Understanding that the investment in Shares is highly speculative, the Subscriber is able to bear the economic risk of such investment. The Subscriber is an "accredited investor" as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and has checked the box or boxes on the Dealmaker Website under which Subscriber qualifies as an accredited investor.

(l) If the Subscriber is an individual, the Subscriber is a citizen of the U.S., or a resident alien taxable as a citizen of the U.S., over twenty-one years of age (or the age of majority in the Subscriber's state of residence) and if the Subscriber is an unincorporated association, all of its members are such citizens or resident aliens of such age. The requirements of the preceding sentence will be deemed met if the Subscriber is such a citizen or resident alien of such age who is acting as a custodian, trustee or legally appointed personal representative for the beneficial investor (who may be under such age). The Subscriber agrees to notify the Company within sixty days of becoming a nonresident alien.

(1) The governing documents of the Subscriber require that each beneficial owner of the Subscriber, including, but not limited to, shareholders, members, partners and beneficiaries, participate through such beneficial owner's interest in the Subscriber in all of the Subscriber's investments and that the profits and losses from each such investment are shared among such beneficial owners in the same proportions as all other investments of the Subscriber. No such beneficial owner may vary such beneficial owner's share of profits and

¹ A "senior foreign political figure" is a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

² The "immediate family of a senior foreign political figure" typically includes the figure's parents, siblings, spouse, children and in-laws.

³ A "close associate of a senior foreign political figure" is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

losses or the amount of such beneficial owner's contribution for any particular investment made by the Subscriber. The Subscriber understands that the Subscriber's certification regarding non-foreign status may be disclosed to the IRS by the Company, and any false statement may be punishable by fine, imprisonment or both.

(m) This Subscription Agreement constitutes a legal, valid and binding agreement of the Subscriber enforceable against the Subscriber in accordance with its terms.

(n) The Company communicated the offer to sell Shares directly to the Subscriber in a manner such that the Subscriber was able to ask questions of and receive answers from the Company concerning the terms and conditions of this transaction. The Subscriber has not reproduced, duplicated or delivered to any other person any offering materials related to the sale of Shares or any part thereof or excerpt therefrom, including, without limitation, this Subscription Agreement, except to the Subscriber's own advisers, and shall not do so without the Company's prior consent.

(o) The Subscriber understands that insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the Company's organizational documents or this Subscription Agreement, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

(p) The Subscriber understands and agrees that the Company may release and disclose to proper governmental authorities confidential information about the Subscriber and, if applicable, its directors, officers and beneficial owners, if the Company is required to do so by applicable law, rule, regulation, subpoena or court order or if the Company believes it is in the best interest of the Company in light of the applicable laws, rules and regulations regarding Prohibited Investors.

2. Agreement to Refrain from Resales. The Subscriber agrees that the Subscriber shall in no event pledge, hypothecate, sell, transfer, assign or otherwise dispose of any Shares, nor shall the Subscriber receive any consideration for Shares from any person, unless and until prior to any proposed pledge, hypothecation, sale, transfer, assignment or other disposition, the Subscriber shall have complied with all requirements and conditions in the Shareholders Agreement.

3. Certificates to be Legended. The Subscriber understands and agrees that any instrument or certificate representing or relating to Shares shall bear such legends as the Company may consider necessary or advisable to facilitate compliance with the Securities Act and any other applicable securities law or regulation, including, without limitation, legends stating that the Shares have not been registered or qualified under the Securities Act or any other securities law and setting forth the limitations on dispositions imposed hereby and by the Shareholders Agreement. The Company shall not be required to issue certificates representing Shares.

4. Shares will be Restricted Securities. The Subscriber understands that the Shares will be "restricted securities" as that term is defined in Rule 144 under the Securities Act and, accordingly, that the Subscriber must hold the Shares indefinitely unless they are subsequently registered or qualified under the Securities Act and any other applicable securities law or exemptions from such registration and qualification are available. The Subscriber understands that Rule 144 is not available for any sale of Shares for a minimum of one year

provided the Subscriber is not an affiliate of the Company, and even then such sales may be restricted under the Shareholders Agreement to which Subscriber became a party in connection with the purchase of Shares. The Subscriber understands that the Company is under no obligation so to register or qualify Shares under the Securities Act or any other securities law, or to comply with the Regulation A or any other exemption under the Securities Act or any other law.

5. Company May Refuse to Transfer Shares. If, in the opinion of counsel for the Company, the Subscriber has acted or at any time hereafter shall have acted in a manner inconsistent with the representations and warranties in this Subscription Agreement, the Company may refuse to transfer the Shares until such time as such counsel is of the opinion that such transfer will not require registration or qualification of Shares under the Securities Act or any other securities law or registration of the Company under the Investment Company Act. The Subscriber understands and agrees that the Company may refuse to acknowledge or permit any disposition of Shares that does not comply in all respects with the Shareholders Agreement and this Subscription Agreement and that the Company intends to make an appropriate notation in its records to that effect.

6. Indemnification. The Subscriber agrees to indemnify and defend the Company, and the officers and directors within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended, and each of their respective Affiliates, controlling persons, shareholders, members, partners, directors, officers, employees and agents and hold them harmless from and against any and all claims, liabilities, losses, damages, settlements and expenses (including, without limitation, attorneys' fees and expenses, expert witnesses' fees and expenses and court costs) as and when suffered or incurred on account of or arising out of:

(a) Any breach of or inaccuracy in the Subscriber's representations, warranties or agreements herein, including, without limitation, the defense of any claim based on any allegation of fact inconsistent with any of such representations, warranties or agreements;

(b) Any disposition of Shares contrary to any of such representations, warranties or agreements;

(c) Any action, suit or proceeding based on (1) a claim that any of such representations, warranties or agreements were inaccurate or misleading or otherwise cause for obtaining damages or redress under the Securities Act or any other securities law, or (2) any disposition of any Shares or any part thereof or interest therein; or

(d) Any delay in the Subscriber's subscription, any freezing of the assets of the Subscriber, any suspension or delay of the Subscriber's withdrawal rights, any delivery of the Subscriber's assets invested in the Company to a governmental agency, or any other action, delay or disclosure, pursuant to this Subscription Agreement.

7. Successors. The representations, warranties and agreements in this Subscription Agreement shall be binding on the Subscriber's successors, assigns, heirs and legal representatives and shall inure to the benefit of the respective successors and assigns of the Company and the Company, any other person that shall hereafter be admitted to the Company as a Company thereof in accordance with the Shareholders Agreement, and their respective Affiliates.

8. Governing Law. This Subscription Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

9. Dispute Resolution. The parties waive the right to a jury trial, if and to the extent that such a waiver is permissible under applicable law. The Subscriber consents to personal jurisdiction and exclusive venue of any state court in the county of the Company's principal place of business at the time the dispute arises and any United States District Court encompassing the Company's principal place of business at the time the dispute arises, with respect to any suit, action or other proceeding between or among any of the Company and the shareholders or any of their respective Affiliates arising out of, relating to or in connection with this Subscription Agreement or the Company or its formation, organization, capitalization, activities or management.

10. Attorneys' Fees. If any dispute between or among any of the Company and the Subscriber or any of their respective Affiliates arising out of, relating to or in connection with this Subscription Agreement or the Company or its formation, organization, capitalization, activities or management should result in litigation, the prevailing party or parties in such dispute shall be entitled to recover from the other party or parties all reasonable fees, costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, incurred by the prevailing party or parties in connection therewith, all of which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any award, judgment or order entered in such action shall contain a specific provision providing for the recovery of attorneys' fees and costs incurred in enforcing such award or judgment and an award of prejudgment interest from the date of the breach at the maximum rate allowed by law. For the purposes of this Section 10, (a) attorneys' fees shall include, without limitation, fees incurred in post-award or post-judgment motions, contempt proceedings, garnishment, levy, and debtor and third party examinations, discovery, and bankruptcy litigation, and (b) prevailing party shall mean the party that is determined in the proceeding to have prevailed or who prevails by dismissal, demurrer, default or otherwise.

11. Number and Gender. The use of the singular number shall be deemed to include the plural and vice versa, and each gender shall be deemed to include each other gender, as the context may require, and "person" shall be deemed to include natural person, corporation, limited liability company, partnership, trust or other legal entity.

12. Entire Agreement. This Subscription Agreement and the Shareholders Agreement constitute the entire agreement between the parties hereto with respect to the Subscriber's request to invest in the Company and may be amended only by a writing executed by all parties. The representations, warranties, covenants and agreements in this Subscription Agreement shall survive the execution and delivery of this Subscription Agreement, the Shareholders Agreement and the organizational documents and shall continue in full force and effect notwithstanding anything to the contrary herein, except only to the extent otherwise provided in a written amendment of this Subscription Agreement, specifically referring hereto, that is signed by or on behalf of the Company and the Subscriber.

13. Severability. If any provision of this Subscription Agreement or the application thereof to any person or in any circumstances shall be held to be invalid, unlawful, or unenforceable to any extent, the remainder of this Subscription Agreement, and the application of such provision other than to the persons or in the circumstances deemed invalid, unenforceable or unlawful, shall not be affected thereby, and each remaining provision hereof shall continue to be valid and may be enforced to the fullest extent permitted by law.

14. Acknowledgement of Documents Received. Subscriber acknowledges receipt of the Private Placement Memorandum dated June 23, 2023, including all Exhibits, the

Shareholders Agreement, and this Subscription Agreement and other related documents available on the DealMaker Platform. Subscriber acknowledges that these documents do not purport to be complete summaries of the business of the Company, the Shares or an investment in the Shares and that this Subscription Agreement and the Shareholders Agreement shall govern Subscriber's investment in Shares.

15. Reaffirmation. The representations and warranties in this Subscription Agreement shall survive the termination of this Subscription Agreement. If in any respect such representations and warranties shall not be true and accurate, the undersigned shall give written notice of such fact to the Company specifying which representations and warranties are not true and accurate and the reasons therefore and shall provide the Company with any such further information as the Company may reasonably require. The Company may request from Subscriber from time to time such additional information as it may deem necessary in connection with this Subscription Agreement, including, without limitation, (i) to evaluate the eligibility of Subscriber to make an additional contribution; (ii) to determine the eligibility of Subscriber to hold Shares; (iii) to enable it to determine the Company's compliance with applicable regulatory requirements or tax status; and (iv) to enable it to comply with the requirements of applicable anti-money laundering rules and regulations, and Subscriber shall provide such information as may reasonably be requested.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

Thirty Three Threads, Inc.

SUBSCRIPTION AGREEMENT SIGNATURE PAGE

The undersigned, desiring to purchase Common Stock of Thirty Three Threads, Inc. by executing this signature page, hereby executes, adopts and agrees to all terms, conditions and representations of the Subscription Agreement.

The Securities being subscribed for will be owned by, and should be recorded on the Corporation's books as follows:

Full legal name of Subscriber (including middle name(s), for individuals):

(Name of Subscriber)

By:
(Authorized Signature)

(Official Capacity or Title, if the Subscriber is not an individual)

(Name of individual whose signature appears above if different than the name of the Subscriber printed above.)

(Subscriber's Residential Address, including Province/State and Postal/Zip Code)

Taxpayer Identification Number

(Telephone Number)

(Offline Investor)
(E-Mail Address)

Number of securities: **Common Stock**
Aggregate Subscription Price: **\$0.00 USD**

TYPE OF OWNERSHIP:

If the Subscriber is individual: If the Subscriber is not an individual:

- Individual
- Joint Tenant
- Tenants in Common
- Community Property

If interests are to be jointly held:

Name of the Joint Subscriber:

Social Security Number of the Joint Subscriber:

Check this box if the securities will be held in a custodial account:

Type of account:

EIN of account:

Address of account provider:

ACCEPTANCE

The Corporation hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement.

Dated as of

Thirty Three Threads, Inc.

By:

Authorized Signing Officer

UNITED STATES ACCREDITED INVESTOR CERTIFICATE

The undersigned (referred to herein as the "Investor") represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D under the United States Securities Act of 1933, as amended (the "Securities Act") as a result of its status indicated below (INDICATE BELOW THE APPROPRIATE DESCRIPTIONS APPLICABLE TO THE INVESTOR):

- (i) A bank, as defined in Section 3(a)(2) of the U.S. Securities Act; a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the United States Securities Exchange Act of 1934; An insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; An investment company registered under the United States Investment Company Act of 1940; or A business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the United States Small Business Investment Act of 1958; A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of US\$5,000,000; or an employee benefit plan within the meaning of the United States Employee Retirement Income Security Act of 1974, as amended, in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan with total assets in excess of U.S. \$5,000,000 or, if a self directed plan, with investment decisions made solely by persons that are Accredited Investors;
- (ii) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- (iii) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, partnership, or limited liability company not formed for the specific purpose of acquiring the Shares, with total assets in excess of US\$5,000,000;
- (iv) a director, executive officer or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
- (v) a natural person whose individual net worth, or joint net worth with that person's spouse or spouse equivalent, at the time of his purchase, exceeds US\$1,000,000 (Note: for purposes of calculating net worth under this paragraph: (i) the person's primary residence shall not be included as an asset, (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of the securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability) and (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of sale of the Shares shall be included as a liability);
- (vi) A natural person who had an individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of U.S. \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- (vii) A trust, with total assets in excess of US\$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of the U.S. Securities Act;
- (viii) An entity in which all of the equity owners are U.S. Accredited Investors;
- (ix) a natural person who holds one of the following licenses in good standing: General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65);
- (x) An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; or
- (xi) An investment adviser relying on the exemption from registering with the SEC under Section 203(l) or (m) of the Investment Advisers Act of 1940; or
- (xii) A rural business investment company as defined in Section 384A of the Consolidated Farm and Rural Development Act;
- (xiii) An entity, of a type not listed herein, not formed for the specific purpose of acquiring the securities offered, owning investments in excess of \$5,000,000;
- (xiv) A "family office," as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1):
 - (i) With assets under management in excess of \$5,000,000,
 - (ii) That is not formed for the specific purpose of acquiring the securities offered, and
 - (iii) Whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment;

- (xv) A “family client,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1)), of a family office meeting the requirements in category 23 above and whose prospective investment in the issuer is directed by such family office as referenced above;
- (xvi) A natural person who is a “knowledgeable employee,” as defined in rule 3c-5(a)(4) under the Investment Company Act of 1940 (17 CFR 270.3c-5(a)(4)), of the issuer of the securities being offered or sold where the issuer would be an investment company, as defined in Section 3 of such Act, but for the exclusion provided by either Section 3(c)(1) or Section 3(c)(7) of such Act; or

DATED:

INVESTOR:

(Print Full Name of Entity or Individual)

By:

(Signature)

Name:

(If signing on behalf of entity)

Title:

(If signing on behalf of entity)

CANADIAN ACCREDITED INVESTOR CERTIFICATE

TO: Thirty Three Threads, Inc. (the "Corporation")

The Investor hereby represents, warrants and certifies to the Corporation that the undersigned is an "Accredited Investor" as defined in Section 1.1 of National Instrument 45-106. The Investor has indicated below the criteria which the Investor satisfies in order to qualify as an "Accredited Investor".

The Investor understands that the Corporation and its counsel are relying upon this information in determining to sell securities to the undersigned in a manner exempt from the prospectus and registration requirements of applicable securities laws.

The categories listed herein contain certain specifically defined terms. If you are unsure as to the meanings of those terms, or are unsure as to the applicability of any category below, please contact your legal advisor before completing this certificate.

In connection with the purchase by the undersigned Subscriber of the Purchased Common Stock, the Subscriber hereby represents, warrants, covenants and certifies to the Corporation (and acknowledges that the Corporation and its counsel are relying thereon) that:

- a. the Subscriber is, and at the Closing Time, will be, an "accredited investor" within the meaning of NI 45-106 or Section 73.3 of the Securities Act (Ontario), as applicable, on the basis that the undersigned fits within one of the categories of an "accredited investor" reproduced below beside which the undersigned has indicated the undersigned belongs to such category;
- b. the Subscriber was not created or is not used, solely to purchase or hold securities as an accredited investor as described in paragraph (m) below; and
- c. upon execution of this Schedule B by the Subscriber, including, if applicable, Appendix 1 to this Schedule B, this Schedule B shall be incorporated into and form a part of the Subscription Agreement.

(PLEASE CHECK THE BOX OF THE APPLICABLE CATEGORY OF ACCREDITED INVESTOR)

- (a) a Canadian financial institution, or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada);
- (c) a subsidiary of any Person referred to in paragraphs (a) or (b), if the Person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;
- (d) a Person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a Person registered solely as a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador);
- (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a Person referred to in paragraph (d);
- (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador);
- (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;
- (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
- (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;

- (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds CAD\$1,000,000;
- (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds CAD\$5,000,000;
- (k) an individual whose net income before taxes exceeded CAD\$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded CAD\$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- (l) an individual who, either alone or with a spouse, has net assets of at least CAD\$5,000,000;
- (m) a Person, other than an individual or investment fund, that has net assets of at least CAD\$5,000,000 as shown on its most recently prepared financial statements and that has not been created or used solely to purchase or hold securities as an accredited investor;
- (n) an investment fund that distributes or has distributed its securities only to (i) a Person that is or was an accredited investor at the time of the distribution, (ii) a Person that acquires or acquired securities in the circumstances referred to in sections 2.10 (Minimum amount investment) and 2.19 (Additional investment in investment funds) of NI 45-106, or (iii) a Person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 (Investment fund reinvestment) of NI 45-106;
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;
- (p) a trust company or trust corporation registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;
- (q) a Person acting on behalf of a fully managed account managed by that Person, if that Person (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and (ii) in Ontario, is purchasing a security that is not a security of an investment fund;
- (r) a registered charity under the Income Tax Act (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;
- (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;
- (t) a Person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are Persons that are accredited investors;
- (u) an investment fund that is advised by a Person registered as an adviser or a Person that is exempt from registration as an adviser;
- (v) a Person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as (i) an accredited investor, or (ii) an exempt purchaser in Alberta or Ontario; or
- (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.

The statements made in this Form are true and accurate as of the date hereof.

DATED:

INVESTOR: (Print Full Name of Entity or Individual)

By:

(Signature)

Name:

(If signing on behalf of entity)

Title:

(If signing on behalf of entity)

Definitions for Accredited Investor Certificate

As used in the Accredited Investor Certificate, the following terms have the meanings set out below:

- a. **“Canadian financial institution”** means (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- b. **“entity”** means a company, syndicate, partnership, trust or unincorporated organization;
- c. **“financial assets”** means cash, securities, or any a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- d. **“fully managed account”** means an account of a client for which a Person makes the investment decisions if that Person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction;
- e. **“investment fund”** means a mutual fund or a non-redeemable investment fund, and, for greater certainty in Ontario, includes an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments and a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments;
- f. **“mutual fund”** means an issuer whose primary purpose is to invest money provided by its security holders and whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer;
- g. **“non-redeemable investment fund”** means an issuer,
 - A. whose primary purpose is to invest money provided by its securityholders,
 - B. that does not invest,
 - i. for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
 - ii. for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
 - C. that is not a mutual fund;
- h. **“related liabilities”** means liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets and liabilities that are secured by financial assets;
 - i. **“Schedule III bank”** means an authorized foreign bank named in Schedule III of the Bank Act (Canada);
 - j. **“spouse”** means an individual who (i) is married to another individual and is not living separate and apart within the meaning of the Divorce Act (Canada), from the other individual, (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or (iii) in Alberta, is an individual referred to in paragraph (i) or (ii), or is an adult interdependent partner within the meaning of the Adult Interdependent Relationships Act (Alberta); and
- k. **“subsidiary”** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

In NI 45-106 a Person or company is an affiliate of another Person or company if one of them is a subsidiary of the other, or if each of them is controlled by the same Person.

In NI 45-106 a Person (first Person) is considered to control another Person (second Person) if (a) the first Person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, unless that first Person holds the voting securities only to secure an obligation, (b) the second Person is a partnership, other than a limited partnership, and the first Person holds more than 50% of the interests of the partnership, or (c) the second Person is a limited partnership and the general partner of the limited partnership is the first Person.

RISK ACKNOWLEDGEMENT FORM (FORM 45-106F9)

Form for Individual Accredited Investors

WARNING! This investment is risky. Do not invest unless you can afford to lose all the money you pay for this investment.

Section 1 – TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER	
1. About your investment	
Type of Securities: Common Stock	Issuer: Thirty Three Threads, Inc. (the “Issuer”)
Purchased from: The Issuer	
Sections 2 to 4 – TO BE COMPLETED BY THE PURCHASER	
2. Risk acknowledgement	
This investment is risky. Initial that you understand that:	Your Initials
Risk of loss – You could lose your entire investment of \$	
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment.	
Lack of advice – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to www.aretheyregistered.ca .	
3. Accredited investor status	
You must meet at least one of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria.	Your Initials
<ul style="list-style-type: none">Your net income before taxes was more than CAD\$200,000 in each of the 2 most recent calendar years, and you expect it to be more than CAD\$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.)	
<ul style="list-style-type: none">Your net income before taxes combined with your spouse’s was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than CAD\$300,000 in the current calendar year.	
<ul style="list-style-type: none">Either alone or with your spouse, you own more than CAD\$1 million in cash and securities, after subtracting any debt related to the cash and securities.	
<ul style="list-style-type: none">Either alone or with your spouse, you have net assets worth more than CAD\$5 million. (Your net assets are your total assets (including real estate) minus your total debt.)	
4. Your name and signature	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and Last Name (please print):	
Signature:	
Date:	
Section 5 – TO BE COMPLETED BY THE SALESPERSON	
5. Salesperson information	
First and Last Name of Salesperson (please print):	
Telephone:	Email:
Name of Firm (if registered):	

Section 6 – TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER

6. For more information about this investment

For more information about this investment / the Issuer:

Company Name: **Thirty Three Threads, Inc.**

Address: 1330 Park Center Drive, Vista, California, USA 92081

Contact: Investor Relations

Email: investorrelations@33threads.com

For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.

INTERNATIONAL INVESTOR CERTIFICATE

FOR SUBSCRIBERS RESIDENT OUTSIDE OF CANADA AND THE UNITED STATES

TO: Thirty Three Threads, Inc. (the “**Corporation**”)

The undersigned (the “**Subscriber**”) represents covenants and certifies to the Corporation that:

- i. the Subscriber (and if the Subscriber is acting as agent for a disclosed principal, such disclosed principal) is not resident in Canada or the United States or subject to applicable securities laws of Canada or the United States;
- ii. the issuance of the securities in the capital of the Corporation under this agreement (the “**Securities**”) by the Corporation to the Subscriber (or its disclosed principal, if any) may be effected by the Corporation without the necessity of the filing of any document with or obtaining any approval from or effecting any registration with any governmental entity or similar regulatory authority having jurisdiction over the Subscriber (or its disclosed principal, if any);
- iii. the Subscriber is knowledgeable of, or has been independently advised as to, the applicable securities laws of the jurisdiction which would apply to this subscription, if there are any;
- iv. the issuance of the Securities to the Subscriber (and if the Subscriber is acting as agent for a disclosed principal, such disclosed principal) complies with the requirements of all applicable laws in the jurisdiction of its residence;
- v. the applicable securities laws do not require the Corporation to register the Securities, file a prospectus or similar document, or make any filings or disclosures or seek any approvals of any kind whatsoever from any regulatory authority of any kind whatsoever in the international jurisdiction;
- vi. the purchase of the Securities by the Subscriber, and (if applicable) each disclosed beneficial subscriber, does not require the Corporation to become subject to regulation in the Subscriber’s or disclosed beneficial subscriber’s jurisdiction, nor does it require the Corporation to attorn to the jurisdiction of any governmental authority or regulator in such jurisdiction or require any translation of documents by the Corporation;
- vii. the Subscriber will not sell, transfer or dispose of the Securities except in accordance with all applicable laws, including applicable securities laws of Canada and the United States, and the Subscriber acknowledges that the Corporation shall have no obligation to register any such purported sale, transfer or disposition which violates applicable Canadian or United States securities laws; and
- viii. the Subscriber will provide such evidence of compliance with all such matters as the Corporation or its counsel may request.

The Subscriber acknowledges that the Corporation is relying on this certificate to determine the Subscriber’s suitability as a purchaser of securities of the Corporation. The Subscriber agrees that the representations, covenants and certifications contained to this certificate shall survive any issuance of Securities and warrants of the Corporation to the Subscriber.

The statements made in this Form are true and accurate as of the date hereof.

DATED:

INVESTOR:

(Print Full Name of Entity or Individual)

By:

(Signature)

Name:

(If signing on behalf of entity)

Title:

(If signing on behalf of entity)

SHAREHOLDERS AGREEMENT

This Shareholders Agreement (“Agreement”) is entered into concurrently with the Subscription Agreement by and among Thirty Three Threads, Inc. (the “Corporation”) and the undersigned Shareholder(s) (the “Shareholder(s)”). Corporation and Shareholder(s) may collectively be referred to as the “Parties”.

1. Definitions.

- a. Person(s) means an individual, company, or other entity which has legal rights and is subject to obligations.
- b. Shareholder(s) means the record holder of any common stock or preferred stock of the Corporation.
- c. Stock means all equity of the Corporation, whether common stock, options to purchase common stock, preferred stock, convertible securities or otherwise.
- d. Transfer is defined at paragraph 3.
- e. Transfer Notice is defined at paragraph 3.

2. Directors and Officers/ Voting Provisions Regarding the Board.

- a. The Board of Directors shall initially consist of up to five (5) members. The number and members of the Board of Directors shall be determined by the vote of the Shareholders during the Corporation's Annual Meeting in accordance with the Corporation's Amended and Restated Articles of Incorporation. The Board shall appoint officers who shall serve at the pleasure of the Board of Directors. The officers may be changed at any time upon a vote of the Board of Directors.
- b. **Board Composition.** Each Shareholder agrees to vote, or cause to be voted, all shares of Stock owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that at each annual or special meeting of Shareholders at which an election of directors is held or pursuant to any written consent of the Shareholders.
- c. **Failure to Designate a Board Member.** In the absence of any designation from the Persons or groups with the right to designate a director as specified in the Corporation's Amended and Restated Articles of Incorporation, the director previously designated by them and then serving shall be reelected if still eligible and willing to serve as provided herein and otherwise, such Board seat shall remain vacant.
- d. **No “Bad Actor” Designees.** Each Person with the right to designate or participate in the designation of a director as specified above hereby represents and warrants to the Corporation that, to such Person's knowledge, none of the “bad actor” disqualifying events described in Rule 506(d)(1)(i)-(viii) under the Securities Act of 1933, as amended (the “Securities Act”) (each, a “Disqualification Event”), is applicable to such Person's initial designee named above except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or

(d)(3) is applicable. Any director designee to whom any Disqualification Event is applicable, except for a Disqualification Event to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable, is hereinafter referred to as a "Disqualified Designee". Each Person with the right to designate or participate in the designation of a director as specified above hereby covenants and agrees (A) not to designate or participate in the designation of any director designee who, to such Person's knowledge, is a Disqualified Designee and (B) that in the event such Person becomes aware that any individual previously designated by any such Person is or has become a Disqualified Designee, such Person shall as promptly as practicable take such actions as are necessary to remove such Disqualified Designee from the Board and designate a replacement designee who is not a Disqualified Designee.

e. Vote to Increase Authorized Common Stock. Each Shareholder agrees to vote or cause to be voted all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to increase the number of authorized shares of Common Stock from time to time to as needed by the Corporation.

3. Restrictions On Voluntary Transfers.

a. Except as provided in paragraph 4, no Shareholder shall sell, transfer, pledge, encumber, hypothecate, or in any way dispose of ("Transfer") any of his or her Stock or any right or interest in it without obtaining prior written consent of the Corporation, unless the Shareholder shall first have given written notice to the Corporation and all other Shareholders, in accordance with paragraph 3 of this Agreement, of his or her intention to do so ("Transfer Notice"). The Transfer Notice shall be accompanied by an executed counterpart of any document or offer of transfer, which must include the name and address of the proposed transferee and specify the number of shares of Stock to be transferred, the price per share, and the terms of payment.

b. For twenty (20) days following receipt of the Transfer Notice, the Corporation shall have the option, but not the obligation, to purchase all or any part of the Stock on the terms stated in the Transfer Notice and any accompanying transfer document(s). The Corporation's right to exercise the option and to purchase the Stock is subject to the restrictions governing a corporation's right to purchase its own stock in California Corporations Code sections 500-501 and to any other pertinent governmental restrictions that are now, or may become, effective. If the Corporation exercises the option within the twenty (20) day period, the secretary of the Corporation shall give written notice of that fact to the offering Shareholder.

c. If the option is not exercised by the Corporation on all shares of Stock, notice shall be given immediately in accordance with paragraph 3 to all Shareholders with voting power, who shall have the option, but not the obligation, to purchase all or any part of the Stock not purchased by the Corporation at the price and on the same terms and conditions specified in the Transfer Notice and any accompanying transfer document(s). Within twenty (20) days thereafter, any Shareholder desiring to acquire any part or all of the Stock offered shall deliver to the secretary of the Corporation a written election to purchase the Stock or a specified number of shares thereof. If the total number of shares specified in the elections exceeds the number of available shares, each Shareholder shall have priority, up to the number of shares specified in his notice of election to purchase, to purchase the available shares, in the same proportion that the number of the Corporation's shares, that he holds, bears to the total number of the Corporation's shares held by all Shareholders electing to purchase. The shares not purchased on such a priority basis shall be allocated in one (1) or more successive allocations to those Shareholders electing to purchase more than the number of shares to which they have a priority right, up to the number of

shares specified in their respective notices, in the proportion that the number of shares held by each of them bears to the number of shares held by all of them. Within ten (10) days after the expiration of the Shareholder option to purchase, the secretary of the Corporation shall notify each exercising Shareholder of the number of shares as to which his election was effective, and the Shareholder shall meet the terms and conditions of the purchase within ten (10) days thereafter.

d. Any Transfer of Stock by any Shareholder in violation of this paragraph 3 shall be null and void and of no effect.

4. Permitted Transfers. Despite any provision in this Agreement to the contrary, any Transfer of Stock subject to this Agreement to a revocable or irrevocable trust for the benefit of the transferring Shareholder and his family, to any individual in the immediate family of Shareholder including spouse, child, sibling, or parent, or to any other Shareholder ("Permitted Transferee"), shall be exempt from the restrictions of paragraph 3. For the avoidance of doubt, the exempt Transfer of any Stock pursuant to this paragraph 4 shall not be subject to the restrictions of paragraph 3 hereof, but the transferee shall otherwise hold the Stock subject to provisions of this Agreement.

5. Obligations of Transferees. All provisions of this Agreement shall apply to any and all Stock now held or hereafter acquired by a Shareholder, whether by gift, purchase, or otherwise, and all Stock issued by the Corporation shall bear the legend set forth in paragraph 3 hereof. In addition to any other requirements or conditions which may be imposed by this Agreement on the admission of transferees, it shall be a condition precedent to any person's admission as a Shareholder that such person agree in writing (in a form acceptable to the Directors) to sign an amended copy of this Agreement. Failure or refusal to sign such an amended copy of this Agreement shall not relieve any transferee from any obligations under this Agreement.

6. Drag-Along. A "Sale of the Company" shall mean either: (a) a transaction or series of related transactions in which a person, or a group of related persons, acquires from Shareholders of the Corporation shares representing more than 50% of the outstanding voting power of the Corporation (a "Stock Sale") or (b) a transaction that qualifies as a Deemed Liquidation Event, as defined in the Corporation's Amended and Restated Articles of Incorporation, as amended from time to time, and as determined by the Corporation's board of directors in their sole discretion.

a. In the event a Sale of the Company is approved by the Corporation's board of directors and by the vote required to achieve majority approval by the outstanding shares of the Stock (as defined in, and voting as provided in, the Corporation's Amended and Restated Articles of Incorporation), voting together as a single class (the "Requisite Parties"), the Shareholder hereby agrees with respect to the shares of Stock and the voting rights of the Shareholder, if any:

1. in the event such transaction is to be brought to a vote at a stockholder meeting and to the extent any vote is solicited from Shareholder, after receiving proper notice of any meeting of stockholders of the Corporation, to vote on the approval of a Sale of the Company, to be present, in person or by proxy, as a holder of shares of voting securities, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings;

2. to vote (to the extent any vote is solicited from Shareholder) (in person, by proxy or by action by written consent, as applicable) the shares of Stock in favor of such Sale of the Company and in opposition to any and all other proposals that could reasonably be expected to delay or impair the ability of the Corporation to consummate such Sale of the Company;
3. to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Sale of the Company;
4. to execute and deliver all related documentation and take such other action in support of the Sale of the Company as shall reasonably be requested by the Corporation or the Requisite Parties;
5. if the Sale of the Company is structured as a stock sale, to sell the same proportion of the shares of Stock as is being sold by the Requisite Parties, and on the same terms and conditions as the Requisite Parties;
6. not to deposit, and to cause the Shareholder or Shareholder's affiliates not to deposit the shares of Stock owned by the Shareholder or Shareholder affiliate in a voting trust or subject the shares of Stock to any arrangement or agreement with respect to the voting of the shares of Stock, unless specifically requested to do so by the acquirer in connection with the Sale of the Company; and
7. if the consideration to be paid in exchange for the shares of Stock pursuant to this Section 5 includes any securities and due receipt thereof by the Shareholder would require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (ii) the provision to the Shareholder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Act, the Corporation may cause to be paid to the Shareholder in lieu thereof, against surrender of the shares of Stock which would have otherwise been sold by the Shareholder, an amount in cash equal to the fair value (as determined in good faith by the Corporation) of the securities which the Shareholder would otherwise receive as of the date of the issuance of such securities in exchange for the shares of Stock.

7. **Purchase on Other Events.** In the event any Shareholder is adjudicated a bankrupt (voluntarily or involuntarily), or makes an assignment for the benefit of creditors or files a petition seeking to force the involuntary winding up and dissolution of the Corporation under Corporations Code section 1800, or if substantially all property of the Shareholder is levied on and sold in a judicial proceeding, the Corporation and the other Shareholders shall have the option for ninety (90) days following notice of any such event(s) to purchase all or any part, of the Stock owned by the Shareholder. Any Shareholder who has information that would reasonably cause the Shareholder to believe that his Stock would be transferred involuntarily or by operation of law shall give written notice to the Corporation and the other Shareholders in accordance with paragraph 3 and shall offer or shall be deemed to have offered to sell his Stock at the price and on the terms provided in paragraph 8. In the event this option is not exercised as to all the Stock

owned by the Shareholder, the Shareholder or the Shareholder's successor in interest will hold the remaining Stock subject to this Agreement.

8. Valuation: Fair Market Value.

a. The purchase price to be paid for the Stock subject to paragraphs 3 of this Agreement shall be based up the fair market value of the Corporation as determined by an independent appraiser mutually selected by the buyer(s) and seller of the Stock subject to purchase under this Agreement. If buyer(s) and seller are unable to agree upon an independent appraiser within 30 days, buyer(s) and seller, within the next 10 days, shall each select an independent appraiser. If the two selected appraisers are unable, within 60 days, to agree on the fair market value of the company, then the two appraisers shall select a third independent appraiser within the next 10 days, who shall, within 30 days, determine the fair market value of the Corporation. All costs of an appraiser mutually selected by buyer(s) and seller or of a third appraiser selected by two appraisers shall be shared equally by buyer(s) and seller. All costs of an individually selected appraiser shall be paid by the party selecting the appraiser. The value of a seller's interest shall be the entire value for the Corporation as determined under this paragraph, multiplied by his or her ownership percentage. Fair market value shall be determined without discounts for minority position or liquidity. The fair market value as so determined shall be communicated in writing to each person who is a party to the sale of Stock. The fair market value so computed shall be conclusive and binding on all parties for all purposes.

b. The closing of any purchase and sale under this Agreement will be held at the principal offices of the Corporation at 10:00 a.m., local time, on a date specified by the Corporation in the applicable Notice. At such closing, the applicable seller(s) will deliver one or more stock powers or other effective transfer instruments satisfactory to the Corporation to effect the transfer of the Stock to be purchased, duly endorsed for transfer. The Stock delivered by the seller(s) will be free and clear of any encumbrances, and the seller(s) will so represent and warrant, and further represent and warrant that he, she or it is the record and beneficial owner of such Stock. The purchaser will deliver at such closing, the purchase price for the stock at the closing by delivering cash (by check or wire transfer) or promissory note as required under this Agreement.

9. Administrative Approvals. The Corporation agrees to apply for, and use its best efforts to obtain, all governmental and administrative approvals required in connection with the purchase and sale of Stock under this Agreement. Each Shareholder agrees to cooperate in obtaining the approvals and to execute any and all documents that they may be required to execute in connection with the approvals. The Corporation shall pay all costs and filing fees in connection with obtaining the approvals.

10. Waiver of Right to Partition. Each Shareholder irrevocably waives any right that he may have to maintain any action for partition with respect to any of the Corporation's assets.

11. Termination of Agreement. This Agreement shall terminate upon the first to occur of any of the following events:

- a. Bankruptcy, receivership or dissolution of the Corporation;
- b. Whenever there is only one surviving Shareholder bound by the terms hereof; or
- c. The voluntary agreement of all parties who are then bound.

12. Shareholder Estate Plans. Each Shareholder agrees to include in his estate plan a direction and authorization to his trustee/executor to comply with the provisions of this Agreement and to sell their Stock in accordance with this Agreement. However, the failure of any Shareholder to do so shall not affect the validity or enforceability of this Agreement.

13. Delivery of Stock and Agreement to Perform Necessary Acts.

a. The Shareholder or their legal representative shall transfer, assign and deliver the shares of Stock duly endorsed to the Corporation or other Shareholders required by this Agreement prior to the payment in full for the Stock. Any Stock required to be delivered for sale pursuant to this Agreement shall be immediately cancelled by the Secretary of the Corporation and no payment required to be made with respect to such Stock shall be made unless and until said shares are delivered to the Secretary for formal cancellation or until a lost instrument affidavit and indemnification agreement satisfactory to the Corporation are signed and delivered by the Shareholder. No interest shall accrue on any payment due to a Shareholder pending the receipt of such documentation or the delivery of such payment in the ordinary course of the Corporation's business pursuant to this Agreement.

b. Each party to this Agreement agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

14. Amendments. This Agreement may be amended at any time in a writing executed by Shareholders that collectively own more than 51% of the Corporation's Stock.

15. Successors and Assigns.

a. This Agreement shall bind and inure to the benefit of the parties, their heirs, legal representatives, successors and assigns.

b. This Agreement shall be binding on and enforceable by and against the parties to it and their respective heirs, legal representatives, successors, and assigns.

16. Attorneys' Fees. In the event any litigation, arbitration, mediation, or other proceeding is initiated, each party will pay their own attorneys' fees and costs, unless otherwise expressly stated herein. Each party shall pay its own attorneys' fees and costs related to this Agreement.

17. Validity of Agreement. All provisions of this Agreement are separate and divisible, and if any part is held invalid, the remaining provisions shall continue in full force and effect.

18. Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or within one day of written evidence of delivery by email, telecopy or overnight delivery at the address set forth on the Corporation's books and records, or any other address that a party may designate by written notice to the others.

19. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

20. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21. Remedies. The Corporation and the Shareholders shall be entitled to enforce their rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that each party hereto may in its sole discretion apply to any court of law or equity of competent jurisdiction to seek specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

EXHIBIT B

FINANCIAL STATEMENTS OF THIRTY THREE THREADS, INC. AND SUBSIDIARY

TABLE OF CONTENTS

Nine Months Ended March 31, 2023 (“FY 2023”)

Consolidated Balance Sheet

Consolidated Statement of Operations and Comprehensive Loss

Consolidated Statement of Stockholders Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

THIRTY THREE THREADS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023 (INTERNAL UNAUDITED) AND JUNE 30, 2022 (UNAUDITED)

Assets	Mar-23	Mar-22	Jun-22
Current Assets			
Cash	\$ 746,536	\$ 989,506	\$ 1,314,260
Accounts receivable	1,762,696	1,642,414	1,785,659
Prepaid expenses	296,479	606,712	439,385
Other receivables	1,170,175	661,262	59,127
Inventories (net)	5,101,460	4,665,670	5,007,005
Operating Lease Right of Use Asset	675,909	125,200	839,693
Total Current Assets	9,753,254	8,690,764	9,445,129
Non Current Assets			
Property and Equipment, net	286,734	310,192	302,394
Investment	0	0	0
Intangible assets (net)	5,665,047	5,438,305	5,536,102
Deposits	31,265	26,535	26,535
Total Non Current Assets	5,983,045	5,775,031	5,865,030
Total Assets	\$ 15,736,299	\$ 14,465,795	\$ 15,310,159
Liabilities			
Current Liabilities			
Accounts payable	\$ 5,383,721	\$ 5,111,702	\$ 5,098,349
Accrued expenses and other liabilities	719,707	1,267,926	787,295
Line of credit	1,772,557	0	1,844,804
Note Payable - Current Portion	2,232,117	1,127,860	320,158
Operating Lease Obligation	702,945	147,398	875,519
Total Current Liabilities	10,811,048	7,654,887	8,926,125
Non Current Liabilities			
Subordinated note payable	0	1,738,123	1,805,791
Note Payable - Long Term	232,795	204,333	173,993
Note Payable - Vooray, net of current portion	2,678,321	3,038,547	2,896,801
Capital leases payable	85,299	70,127	711,638
Deposit	4,000	13,693	0
Total Non Current Liabilities	3,000,414	5,064,822	5,588,223
Equity			
Common stock	4,971,366	4,438,946	3,969,048
Additional paid-in capital	106,819	19,700	146,272
Retained earnings	(3,306,847)	(1,994,410)	(1,995,213)
Current Period Earnings	153,498	(718,150)	(1,324,296)
Total Equity	1,924,836	1,746,086	795,811
Total Liabilities & Equity	\$ 15,736,299	\$ 14,465,795	\$ 15,310,159

THIRTY THREE THREADS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATION
MARCH 31, 2023 (INTERNAL UNAUDITED) AND MARCH 31, 2022 (UNAUDITED)

	<u>Mar-23</u>	<u>Mar-22</u>
Net revenue	\$ 22,435,919	\$ 17,197,206
Cost of revenue	7,554,032	6,154,276
Gross Profit	14,881,887	11,042,930
Gross Profit %	66.3%	64.2%
Selling, General, and Administrative	14,019,408	11,909,525
EBITDA	862,479	(866,595)
EBITA %	3.8%	-5.0%
<u>Other Expenses</u>		
Depreciation	102,698	102,824
Amortization	179,159	106,941
Interest (net)	408,311	211,593
Other (income) / expense	(22,083)	(573,723)
(Gain) / loss on foreign exchange	12,029	1,688
Total Other Expenses	680,114	(150,675)
Income (Loss) Before Taxes	182,365	(715,920)
Income Taxes	28,867	2,231
Net Income (loss)	\$ 153,498	\$ (718,150)

THIRTY THREE THREADS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
MARCH 31, 2023 (INTERNAL UNAUDITED) AND JUNE 30, 2022 (UNAUDITED)

	Series A Convertible Preferred stock		Common Stock		Additional Paid-in Capital	Stock Subscriptions Receivable	Shareholder Note Receivable	Accumulated Other Comprehensive Loss	Retained Earnings Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount No. Par Value	Shares	Amount No. Par Value						
Balance, June 30, 2022	1,551,295	\$ 2,445,000	14,873,131	\$ 1,993,846	\$ 116,172	\$ (37,067)	\$ 140,811	\$ (3,454)	\$ (3,317,633)	\$ 795,611
Compensation expense in connection with options granted	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Warrants exercised in conjunction with subordinated note payable	-	-	-	-	-	-	-	-	-	-
Warrants issued in conjunction with note payable	-	-	-	-	-	-	-	-	-	-
Shareholders' distributions	-	-	-	-	-	-	-	-	-	-
Collection on shareholder note receivable net of accrued interest of \$3,926	-	-	-	-	-	-	-	-	-	-
Shareholder note receivable adjustment	-	-	-	-	-	-	461,220	-	-	461,220
Foreign currency translation	-	-	-	-	-	-	-	-	-	-
Conversion of note payable for preferred shares	310,559	500,000	-	-	-	-	-	-	-	500,000
Net proceeds from issuance of preferred shares	-	-	-	-	-	-	-	-	-	-
Net proceeds from issuance of common stock	-	-	13,333	62,419	148,132	-	-	-	-	34,387
Issuance of shares for acquisition of Novey International Inc.	-	-	-	-	-	-	-	-	-	-
Net income / (loss)	-	-	-	-	-	-	-	-	153,498	153,498
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2023	1,861,854	\$ 2,945,000	14,886,464	\$ 2,056,265	\$ 78,180	\$ (37,067)	\$ 66,499	\$ (2,894)	\$ (3,164,210)	\$ 1,024,820

THIRTY THREE THREADS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
MARCH 31, 2023 (INTERNAL UNAUDITED) AND MARCH 31, 2022 (UNAUDITED)

	Mar-2023	Mar-2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Profit/. (Net loss)	\$ 153,498	\$ (718,150)
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>		
Depreciation fixed assets	136,042	137,414
Amortization Intangibles	232,319	126,866
<u>Decrease (increase) in...</u>		
Accounts receivable	(120,282)	(972,278)
Prepaid expenses	310,233	(283,461)
Other receivables	(508,913)	(60,293)
Inventories (net)	(435,790)	(499,984)
Operating Lease Right of Use Asset	(550,709)	154,800
Deposits	(14,423)	9,069
<u>Increase (decrease) in...</u>		
Accounts payable	272,018	1,736,123
Accrued expenses	(548,219)	795,457
Net cash used in operating activities	\$ (1,074,225)	\$ 425,564
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(112,584)	(202,759)
Purchase of intangible assets	(459,061)	(5,127,658)
Net cash used in investing activities	\$ (571,645)	\$ (5,330,417)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Change in notes payables	1,377,647	2,566,936
Change in equity	25,252	1,856,222
Net cash provided by financing activities	\$ 1,402,899	\$ 4,423,158
Net decrease in cash and cash equivalents	\$ (242,970)	\$ (481,695)
Cash and cash equivalents, beginning of year	989,506	1,471,201
Cash and cash equivalents, end of year	\$ 746,536	\$ 989,506

Notes to Consolidated Financial Statements March 31, 2023

NOTE 1. ORGANIZATION, OPERATION AND BASIS OF PRESENTATION (CONTINUED)

Thirty Three Threads, Inc. (Thirty Three Threads), formerly known as ToeSox, Inc., was originally incorporated, in the state of California, in 2004 but then changed its name in 2015. Thirty Three Threads is engaged in the design, development, manufacturing by third parties, and distribution of functional footwear, apparel, bags, and accessories. Thirty Three Threads purchased the assets of TAVI (FKA Tavi Noir) in September 2015, purchased the assets of Vooray International, Inc. (Vooray) in January 2022, and owns the brands and related intellectual property for ToeSox, TAVI, Vooray, and Base 33. Products are manufactured in China and imported to a warehouse in Mexico or shipped directly to international distributors. The ToeSox, TAVI, Base 33, and Vooray product lines include numerous styles of specialty socks, gloves, apparel, accessories, and bags that are marketed primarily to yoga, Pilates, barre, gym, dance, and other athletic enthusiasts. Sales are generated primarily in the United States with international sales in Canada as well as Asia Pacific (APAC), Europe, Middle East, and Africa (EMEA). In February 2021, the Company opened a subsidiary, Thirty Three Threads AG (AG), in Switzerland. The AG office oversees all accounts in the EMEA market and all AG financial results are consolidated with Thirty Three Threads, Inc.

Basis of Presentation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements are presented in United States dollars.

Principles of Consolidation: The consolidated financial statements include the accounts of Thirty Three Threads, Inc. and its wholly-owned subsidiary Thirty Three Threads AG, a Swiss company. All material intercompany balances have been eliminated in consolidation.

Fiscal Year: The Company operates and reports using a fiscal year ended June 30 of each year. The Company's current fiscal year ran from July 1, 2022 through June 30, 2023 (fiscal year).

Going Concern: Management has prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

As reflected in the consolidated financial statements, the Company had a net profit and net cash used in operating activities for the nine months ended March 31, 2023. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is continuing to expand operations while generating revenue and reinforcing its positive relationships with key vendors and customers. The Company's current cash position may not be sufficient to support the Company's daily operations, however, management anticipates receiving additional funding from private investors via equity sales and loans.

While management believes the Company's strategy is viable for operations, generating sufficient revenue, and raising additional funds, there can be no assurances to that effect.

The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan, generate sufficient revenue and its ability to raise additional funds by way of a public or private offering.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and actions, they may ultimately differ from actual events. Significant estimates made include the allowance for doubtful accounts, which is estimated based on current and historical customer practices; stock option

expense, which is calculated based on the fair value of each option award estimated on the grant date using the Black-Scholes valuation model; inventory obsolescence, which is estimated based on projected and historical inventory movement; and lease liability and right-of-use asset, which is calculated based on certain assumptions such as borrowing rate, likelihood of lease extensions to occur, and asset valuation. Actual results could materially differ from those estimates.

Financial Instruments: The Company's financial instruments consist of cash, accounts receivable, other receivables, accounts payable, accrued expenses and other liabilities, line of credit and notes and leases payable. The carrying values are considered to be representative of their fair market value, due to the short maturity of these instruments. The carrying value of the long-term portion of the notes and leases payable represents fair value as the terms approximate those currently available for similar debt instruments.

Cash and Cash Equivalents: For purposes of financial statement presentation, the Company classifies all highly liquid financial instruments with an original maturity of three months or less as cash equivalents.

Accounts Receivable: The Company carries its accounts receivable at invoiced amounts less allowances for doubtful accounts and other deductions. The Company does not accrue interest on its trade receivables. Management evaluates the ability to collect accounts receivable based on a combination of factors. An allowance for doubtful accounts is maintained based on the length of time receivables are past due or the status of a customer's financial position. Receivables are considered past due based upon the credit terms extended to customers. Receivables are written off to expense in the period deemed uncollectible after collection efforts have proven unsuccessful. The Company recorded an allowance for doubtful accounts of \$50,703 at March 31, 2023.

Inventories: Inventories are comprised of purchased finished goods and are stated at the lower of weighted average cost or net realizable value. Management periodically reviews inventory for excess quantities and obsolescence and evaluates quantities on hand for physical condition and functionality as these characteristics may be impacted by customer demand for current products and new product introductions. The Company has recorded a reserve for obsolete and excess inventories of \$852,972 at March 31, 2023.

Property and Equipment: Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally 3 to 15 years. Maintenance, repairs, and expenditures for renewals and betterments not determined to extend the useful lives or to increase materially the productivity of the properties to which they are applied are charged to income as incurred. Other renewals and betterments are capitalized.

Intangible Assets: The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives, generally 3 to 15 years. Intangible assets deemed to have an indefinite life are not amortized, instead they are reviewed at least annually for impairment. The Company capitalizes all legal costs to register, purchase, and renew its intangible assets. Amortization of intangible assets with finite lives is provided for on a straight-line basis over their estimated useful lives. Amortization expense related to intangible assets with finite lives amounted to \$179,159 for the nine months ended March 31, 2023.

Goodwill: In January 2022, the Company acquired the rights to the Vooray brand. The purchase was accounted for as an acquisition in accordance with Accounting Standards Codification (ASC) 805, *Business Combinations*. Goodwill represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired by the Company. The goodwill is deemed to have an indefinite life and is not amortized. Goodwill is tested for impairment at the entity level if a triggering event occurs. Based on impairment tests as of June 30, 2022, the Company determined that there was no impairment of its intangible assets with indefinite lives.

Impairment of Assets: In the event that facts and circumstances indicate that the carrying amount of tangible or intangible long-lived assets or groups of assets may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets would be compared to the assets' carrying amount to determine if an impairment loss should be recorded. If the assets' carrying amount exceeds the estimated future undiscounted cash flows associated with the assets, an impairment loss equal to the amount by which the assets' carrying amount exceeds their fair value is recognized. Based on impairment tests as of June 30, 2022, the Company determined that there was no impairment of its intangible assets with indefinite lives.

Accrued Expenses and Other Liabilities: In accordance with applicable accounting guidance, the Company accrues liabilities that are impacted by estimates related to general operating expenses, such as payroll and royalty expenses. Management estimates reflect the probable liability as of the balance sheet date. In determining the adequacy of estimated liabilities, the Company performs ongoing evaluations based on available information.

Lease Accounting: Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of fixed lease payments over the lease term. Leases are classified as financing or operating which drive the expense recognition pattern. The Company has elected to exclude short-term leases.

For leases with terms greater than 12 months, a related asset and obligation at the present value of lease payments over the term is recorded. If the rate implicit in the lease is not available, the incremental borrowing rate is used, which is based on the estimated interest rate for collateralized borrowing over a similar term of the lease at commencement date.

For purposes of determining straight-line rent expense, the lease term is calculated from the date the Company first takes possession of the facility, including any periods of free rent and any renewal option periods that the Company is reasonably certain of exercising. Contractually specified minimum rent and annual rent increases are included in the measurement of the right-of-use asset and related lease liability. The Company may be required to pay directly, or reimburse the lessor, for some maintenance and operating costs. Such amounts are generally variable and therefore not included in the measurement of the right-of-use asset and related lease liability but are instead recognized as variable lease expense in the consolidated statements of operations when they are incurred.

Revenue Recognition: The Company has various contracts with customers. The Company's contracts specify that revenues from product sales are recognized at the time the product is shipped, primarily FOB shipping point, which is when the transfer of control of goods has occurred, and at which point title passes. There are contracts with other shipping terms, such as FOB destination, and revenue is recognized according to those specific terms. Revenue is recorded net of estimated returns and sales discounts given to customers. The Company does not allow for unapproved returns, except in the event of defective merchandise, and has established an allowance for returns based on historical experience which have averaged less than four percent. The Company recorded an allowance for estimated returns from customers of \$0.61 at March 31, 2023. In addition, the Company has contracts with customers wherein the customers receive sales discounts. The Company evaluated the status of these contracts, as of March 31, 2023, and does not believe that any additional discounts will be given through the end of the contract periods. The Company sells its products to domestic and international distributors, directly to customers through its online store, and through commission agreements with various studio fitness chains and retailers.

Shipping and Handling Costs: Shipping and handling fees billed to customers are recorded in net revenue. Total shipping revenue for the nine months ended March 31, 2023 amounted to \$815,986. The costs associated with shipping goods to customers are included in cost of revenue.

Advertising Costs: The Company's policy is to expense advertising costs as incurred. The Company does not incur significant advertising costs substantially in advance of the time advertising takes place. Total advertising costs for the nine months ended March 31, 2023 was \$939,148.

Sales Tax: Taxes collected from the Company's customers are included in accrued expenses and other liabilities until the taxes are remitted to the appropriate taxing authorities. Taxes collected are excluded from revenues.

Income Taxes: The Company records income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When applicable, a valuation allowance is established to reduce any deferred tax asset when it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company is liable for federal, cantonal and municipal income taxes for the AG company. As of March 31, 2023, the Company has accrued \$28,867 of expense related to this liability.

On an annual basis, management evaluates the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns. Management evaluates the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based upon that evaluation, if it were more than 50% probable that a material amount of income tax would be recognized at the entity level upon examination by the relevant taxing jurisdictions, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment.

Stock Based Compensation: The Company follows the guidance of the accounting provisions of ASC 718, Share-based Compensation, which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants and options). The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Management's estimate of expected volatility was based on a sampling of companies with attributes similar to those of the Company.

The risk-free rate was based on the U.S. Treasury rate on instruments with terms similar to the expected lives of the options. Expected lives were determined using the simplified method. The Company has elected to account for forfeitures as they occur.

Foreign Currency Translation: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions denominated in foreign currencies are recognized in the income statement. The exchange differences arising from the translation of the assets and liabilities of the subsidiary are reported in other comprehensive income. **Recently Issued Accounting Standards:** The following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB) will be effective starting with the Company's consolidated financial statements for the nine months ending March 31, 2023. Management will evaluate the application of these standards to determine future impact on the Company's financial statements.

Accounting for Income Taxes - In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions and also adds some requirements to reduce complexity.

Accounting for Stock Compensation - In October 2021, the FASB issued ASU No. 2021-07, *Compensation - Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards*, which provides a practical expedient for determining the current price input of equity-classified share-based awards using the reasonable application of a reasonable valuation method.

Subsequent Events Evaluation: Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

NOTE 3. INVENTORIES, NET

Inventories consist of the following as of March 31, 2023:

	<u>2023</u>
Inventories at cost	5,950,511
Purchases in transit	3,921
Lees: Inventory reserve	(852,972)
	<u>5,101,460</u>

Property and equipment consist of the following:

	<u>2023</u>
Leaseholds improvements	38,250
Furniture and fixtures	547,603
Computer Equipment	215,895
Machinery and equipment	172,535
Subtotal	974,283
Less: Accumulated depreciation	(687,549)
Property and equipment, net	286,734

Depreciation expense on property and equipment for the nine months ended March 31, 2023 was \$102,698.

NOTE 4. INTANGIBLE ASSETS, NET

The Company's intangible assets consist of the following as of March 31, 2023:

	<u>2023</u>
Computer software	1,106,176
Customer lists	300,000
Patents	374,347
Subtotal	1,780,523
Less:	
Accumulated amortization	(980,635)
Amortizable Intangible assets, net	799,888
Trademarks	1,209,021
Goodwill	3,656,137
Total Intangibles, net	5,665,047

Future estimated amortization expense related to amortizable intangible assets is as follows:

Year Ending June 30,	
Apr 2023 - Jun 2023	80,099.55
2024	299,905.77
2025	106,877.46
2026	46,445.51
2027	44,956.68
2028	44,956.68
Thereafter	212,275.70
Total	835,517.35

Amortization expense was \$179,159 for the nine months ended March 31, 2023.

NOTE 5. LINE OF CREDIT

The Company maintains a line of credit with a financial institution allowing borrowings up to \$4,000,000, which is due on demand and collateralized by the property and assets of the Company. Borrowings under the line bear a variable interest rate valued monthly (which was 10.25% at March 31, 2023). The outstanding balance on the line of credit was \$1,772,557 at March 31, 2023. The Company is required to maintain certain financial and non-financial covenants in accordance with the line of credit agreement and the line of credit is guaranteed by officers and shareholders of the Company. At March 31, 2023, the Company was in compliance with the covenants.

NOTE 6. NOTES PAYABLE

The following table summarizes the components of notes payable balance at March 31, 2023:

NOTE PAYABLE	Mar-2023
Note payable to the former owners of Vooray of \$3,500,000. The Company shall make quarterly payments of the greater of 20% of the net proceeds from the sale of Vooray branded products or \$87,500, until the seller has received a total of \$3,500,000. The note is subordinated to the line of credit.	\$ 3,028,321
Convertible note payable to a private equity firm, advances of up to \$1,750,000 with interest at 15% per annum. The note is subordinated to the line of credit and secured by all assets and property of the Company. The balance remaining on the loan is due in full by December 31, 2022. On August 21, 2021, an amendment to the note was made that allows for a conversion of the debt to equity at a conversion price of \$1.61 per share.	1,242,082
Note payable to a private equity firm, advances of up to \$1,135,000 with interest at 10% per annum. The balance remaining on the loan was due in full by September 2022. In September 2022, this Note was extended to be due in full by December 2022.	531,440
Economic Injury Disaster Loan with U.S. Small Business Administration. The note is secured by substantially all assets of the Company and accrues interest at a rate of 3.75% per annum. The Company has used the proceeds for qualifying expenses. The \$150,000 note is due in full July 2050 and includes monthly principal and interest payments of \$731.	144,317
Note payable to a shareholder, initial loan \$201,040 with interest accruing at a rate of 5% per annum. Monthly payments starting at \$4,000 for first three months and \$8,000 thereafter. The note is subordinated to the line of credit and monthly payments have ceased.	118,166
Note payable to a shareholder, initial loan \$50,260 with interest accruing at a rate of 5% per annum. Monthly payments starting at \$1,000 for first three months and \$2,000 thereafter. The note is subordinated to the line of credit and monthly payments have ceased.	33,745
Total	5,098,071
Less: unamortized discount	0
Less: current portion	(2,186,957)
Long-term portion	\$ 2,911,114

NOTE 7. LEASES

In October 2019, the Company entered into an agreement to lease a building in Vista, California for the period from November 1, 2019 through October 31, 2022. On June 16, 2021, the Company signed an amendment to the lease agreement wherein it was granted two additional months of rent concessions and the lease was extended through January 1, 2026. The initial base rent for the lease agreement was \$18,711 per month, increasing to \$20,831 for the period from November 1, 2020 through October 31, 2021, \$21,409 for the period from November 1, 2021 through October 31, 2022, \$20,843 for the period November 1, 2022 through October 31, 2023, \$21,885 for the period from November 1, 2023 through October 31, 2024, \$22,979 for the period from November 1, 2023 through October 31, 2024 and \$24,128 for the period from November 1, 2025 through January 1, 2026. For the nine months ended March 31, 2023, total rent expense charged to operations was approximately \$183,469.

NOTE 8. SHAREHOLDERS' EQUITY

Preferred Stock: The Company is authorized to issue 1,863,354 shares of Series A convertible preferred stock with no par value. In 2022, 248,447 shares of Series A convertible preferred stock were issued to a private equity firm for \$1.61 per share. Preferred stock issuance costs for the year ending June 30, 2022 were \$20,000. In addition, the private equity firm converted \$1,000,000 of debt into 621,118 shares of Series A convertible preferred stock. These shares have a liquidation preference of 1.67X times the Series A convertible preferred stock issuance price. The holder of Series A convertible preferred stock has the option to convert the shares into shares of common stock at \$1.61 per share.

Common Stock: The Company is authorized to issue 50,000,000 shares of common stock with no par value. In 2022, the Company issued 5,372 shares, with an average share price of approximately of \$1.86, to a series of individuals as a result of a Regulation CF capital raise. In 2022, the Company issued 250,000 shares, with an average share price of approximately of \$2.00, to the selling company as part of acquisition of the Vooray brand. The Company has 14,072,131 shares outstanding as of June 30, 2022. Stock issuance costs for the nine months ending June 30, 2022 were \$81,126. At June 30, 2022, the Company has stock subscriptions receivable in conjunction with the sale of common stock of \$37,087.

Distributions: Holders of shares are entitled to receive distributions on a pro rata basis, and are payable when and if declared by the Company's Board of Directors. Such distributions are not cumulative. Series A convertible preferred stock holders receive distributions prior to common stock holders. Distributions of \$70 were paid during the nine months ended June 30, 2022.

Voting Rights: Holders of common stock and Series A convertible preferred stock each have the right to one vote per share.

Warrants: During the year ended June 30, 2020, the Company issued warrants to purchase 165,060 shares of preferred stock in conjunction with a note payable to a private equity firm. The warrants were exercised November 2020. The Company valued the warrants at approximately \$50,000, are reported as a debt discount to the note payable, and are amortized to interest expense over the life of the loan. The unamortized amount of the warrants at June 30, 2022 is \$7,918.

During the year ended June 30, 2022, the Company issued additional warrants to purchase 187,814 shares of capital stock in conjunction with a note payable to a lender. The warrants have not been exercised as of October 25, 2022. The Company initially valued the warrants at approximately \$93,907. They are reported as a debt discount to the note payable, and are amortized to interest expense over the life of the loan. The unamortized amount of the warrants at June 30, 2022 is \$62,605. The amount amortized to interest expense during the nine months ended June 30, 2022 was \$31,302.

Stock Options: During the year ended June 30, 2018, the Company adopted stock incentive plans covering an aggregate of 5,027,565 shares, of the Company's unissued common stock to be granted to employees, directors, and select contractors of the Company. During the nine months ended June 30, 2022, the Company granted 716,162 stock options, to officers and employees at exercise price of \$2.00 per share.

The weighted average fair value of options granted during the nine months ended March 31, 2023 was \$2.75. The aggregate intrinsic value of options outstanding at March 31, 2023 was \$0.

NOTE 9. CONCENTRATIONS

Credit Risk: The Company provides unsecured credit in the normal course of business to customers throughout the United States and in foreign markets.

Major Customers: For the nine months ended March 31, 2023, the Company did not have any individual customers accounting for more than 10% of sales, however, our top ten distribution and customer agreements represented approximately 68% of our net revenue. If the financial condition or operations of these customers deteriorates, the risks associated with selling on credit could increase substantially.

Major Suppliers: For the nine months ended March 31, 2023, the Company had three vendors that accounted for 68% of inventory purchases. At March 31, 2023, these vendors accounted for 55% of accounts payable.

Cash Concentration: The Company's cash and cash equivalents consist of cash held at financial institutions. U.S. cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times balances may exceed federally insured limits. At March 31, 2023, the Company had approximately \$496,536 of uninsured cash. The Company has not experienced any losses in such accounts and Management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalents.

Geographic Concentration: Operations outside the United States include the subsidiary in Switzerland. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange.

Results of operations for the Company's Swiss subsidiary are translated from the local (functional) currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. Resulting gains or losses from translating foreign currency financial statements are recorded as other comprehensive income (loss). Foreign currency transaction gains (losses) resulting from exchange rate fluctuations on transactions denominated in a currency other than Euros are included in earnings.

As of March 31, 2023 all of the Company's inventory is located in a third-party warehouse in Tijuana, Mexico. Geographic information regarding net revenues is approximately as follows:

Period Ending March 31, 2023	
Approximate net revenues	<u>2023</u>
US & Canada	20,029,049
Asia-Pacific	1,661,724
Europe, Middle East, and Africa	652,955
Latin America	92,192
Total	22,435,919

NOTE 10. CONTINGENCIES

Commission and royalty agreements: The Company has certain commission and royalty agreements through which it has obtained rights to manufacture and market products solely for sale to various purchasers and their franchisees, primarily consisting of studio fitness locations and other retailers. Commission and royalty expense of approximately \$5,450,538 related to these agreements, was included in selling, general, and administrative expenses for the nine months ended March 31, 2023. Product sales related to these agreements comprised approximately 60% of total net revenues for the nine months ended March 31, 2023. The Company may enter into other royalty and license agreements in the future as it deems necessary for conducting business.

Regulations and industry: The apparel industry is subject to laws and regulations of federal, state, and local governments. As a manufacturer of consumer products, the Company has exposure to California Proposition 65 which regulates substances officially listed by California as causing cancer, birth defects, or other reproductive harm. The regulatory arm of Proposition 65 that relates to the Company prohibits businesses from knowingly exposing individuals to listed substances without providing a clear and reasonable warning. All companies in California are subject to potential claims based on the content of their products sold. Management believes that the Company is in compliance with these laws. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or asserted at this time

NOTE 11. RETIREMENT PLAN

The Company has established an employee benefit plan as provided under §401(k) of the Internal Revenue Code (the "Plan"). The Plan is open to all eligible employees as defined in the Plan documents. The Company may make matching and discretionary contributions to the Plan in such amounts as provided by the Plan provisions and determined by the shareholders. The Company made contributions of approximately \$65,762 for the nine months ended March 31, 2023.

NOTE 12. SUBSEQUENT EVENTS

On May 9, 2023, the Company and Black Oak agreed to convert \$1,177,726.27 of debt to 731,507 shares of Series A Preferred Shares at a price of \$1.61 per share