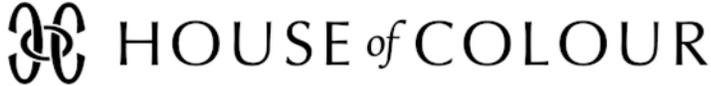


## FRANCHISE DISCLOSURE DOCUMENT



**House of Colour USA, Inc.**

a Virginia Corporation

7 Bell Yard

London, WC2A 2JR

United Kingdom

Phone: +44 1923 211188

Email: [info@HouseofColourHQ.com](mailto:info@HouseofColourHQ.com)

[www.HouseofColour.com](http://www.HouseofColour.com)

House of Colour businesses provide personal stylist, image consultant, and color analysis and related services to the general public in-person and online within a specified territory (“House of Colour Business(es)”).

The total investment necessary to begin operation of a House of Colour franchised business is between \$21,845 and \$36,750. This includes \$19,500 that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Marcus King, House of Colour USA, Inc., 7 Bell Yard, London, WC2A 2JR, United Kingdom; +44 1923 211188; [Marcus.King@HouseofColourHQ.com](mailto:Marcus.King@HouseofColourHQ.com).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP, or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

**Issuance Date: August 26, 2021**

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only House of Colour business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a House of Colour franchisee?</b>	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

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

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

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. If you fail to do so, you could lose any territorial rights you are granted and/or the franchisor could terminate your agreement resulting in the loss of your investment, or both.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Trademark Not Federally Registered.** We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark which may increase your expenses.
5. **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (See Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

**HOUSE OF COLOUR USA, INC.**

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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “HOC” and “we,” “us,” and “our” means House of Colour USA, Inc., the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from HOC.

The Franchisor, Parent, Predecessors and Affiliates

HOC is a Virginia corporation organized on May 11, 2016. Our principal place of business is 7 Bell Yard, London, WC2A 2JR, United Kingdom. We do business under the name House of Colour and our corporate name. We do not do business under any other name. We began offering franchises for House of Colour Businesses in June 2016. We have not, and do not, operate any franchises like those described in this Franchise Disclosure Document, or in any other line of business. We do not conduct any other business other than franchising House of Colour Businesses. We do not have any predecessors.

Our corporate parent, Festival Road Ltd. (“Festival”), is a United Kingdom limited company organized on September 16, 2008, and has its principal place of business at Weltech Centre, Ridgeway, Welwyn Garden City, Hertfordshire, AL7 2AA, United Kingdom. As of May 1, 2020, Festival owns the intellectual property and trademarks for the House of Colour franchise system and licenses it to us.

We have one affiliate, House of Colour, Ltd. (“UK Affiliate”) that previously owned the intellectual property and trademarks for the House of Colour franchise system and licensed it to us until May 1, 2020. UK Affiliate is a United Kingdom limited liability company with a principal business address of 7 Bell Yard, London, WC2A 2JR, United Kingdom. UK Affiliate operates a business similar to the type offered in this Franchise Disclosure Document and has done so since 2009. UK Affiliate has not offered franchises in this or any other line of business. Beginning in April 2010, UK Affiliate offered certain individuals who had attended training in the House of Colour business in the United Kingdom the opportunity to enter into license agreements under which they would operate House of Colour businesses similar to the businesses described in this Franchise Disclosure Document. The license agreements were issued under UK law by UK Affiliate and offered licensees a right to operate a similar business described in this Franchise Disclosure Document in a limited territory, for a period that ranged from two years to five years before they expired, without a right of renewal. UK Affiliate ceased offering licenses in April 2016. As of the Issuance Date of this Franchise Disclosure Document, there were no longer any licensees in operation as all licensees had either ceased operations or converted to Franchises (see Item 20).

Our agent for service of process in Virginia is Registered Agents Inc., 4445 Corporation Lane, Suite 264, Virginia Beach, Virginia 23462. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Franchise

We offer franchises (“House of Colour Franchise(s)” or “Franchise(s)”) for the use of our “HOUSE OF COLOUR” trademarks, trade names, service marks, and logos (“Marks”) for the operation of House of Colour Businesses. House of Colour Businesses are operated under our proprietary House of Colour system (“System”). The System may be changed or modified by us throughout your ownership of the Franchise. House of Colour Businesses provide personal stylist, image consultant, and color analysis

and related services to the general public in-person and online within a specified territory. You may operate your House of Colour Business from your home or you may choose to rent a commercial retail space. You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). You may operate one House of Colour Business for each Franchise Agreement you sign.

### The Market and Competition

House of Colour Businesses service the needs of the general public. Our services are not seasonal in nature. The market for the goods and services offered by House of Colour Businesses is well developed and highly competitive. House of Colour Businesses compete with other individuals and national businesses, including franchised operations, national chains, and independently-owned companies that offer personal stylist, image consultant, and color analysis services. You will also face normal business risks that could have an adverse effect on your House of Colour Business. These include industry developments, such as pricing policies of competitors, and supply and demand.

### Industry-Specific Laws

If you purchase the rights to operate a House of Colour Business, your business will be subject to laws, regulations, and ordinances that are applicable to businesses generally. You must comply with all local, state, and federal laws and regulations that apply to any business. Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your House of Colour Business, including those that: (a) require a permit, certificate, or other license; (b) set standards pertaining to employee health and safety; and (c) set standards and requirements for general emergency preparedness. You must also obtain all necessary permits, licenses, and approvals to operate your House of Colour Business.

Some states regulate barber, cosmetology and personal grooming by statutes with which you must comply. Most locations require a barber cosmetology establishment license and vendor’s license in order to operate the business. These licenses must be maintained in good standing. State and local agencies inspect barber and cosmetology establishments to ensure that they comply with these laws and regulations. Depending upon the laws and regulations of the state in which your House of Colour Business is located, the barbers or stylists providing haircuts, shaves, and related services may be required to have a current license valid in that state.

You must also comply with Executive Order 13224 which prohibits transactions with suspected terrorists or persons or organizations associated with suspected terrorists, and the USA Patriot Act and the International Money Laundering Statement and Anti-Terrorist Financing Act of 2001 which impose anti-money laundering requirements on a broad variety of “financial institutions.” You will also have to comply with certain federal laws, such as the Gramm Leach Bliley Act, the Health Insurance Portability and Accountability Act, the Fair Credit Reporting Act, and the Financial Services Modernization Act.

You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your House of Colour Franchise, despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or other requirements apply to your House of Colour Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

**ITEM 2**  
**BUSINESS EXPERIENCE**

Chair and Director: Helen (Venables) Shillan

Ms. Shillan has been our Chair and Director since our inception in May 2016 in Watford, Herts, United Kingdom. Ms. Shillan has also served as the Managing Director of UK Affiliate in Watford, Herts, United Kingdom since November 2008.

Chief Financial Officer and Director: Marcus King

Mr. King has been our Chief Financial Officer and a Director since our inception in May 2016 in Watford, Herts, United Kingdom. Mr. King has also served as the Finance Director for UK Affiliate, in Watford, Herts, United Kingdom since March 2016. Mr. King has also been the Managing Director of The Cost Detectives, Ltd. in London, United Kingdom since February 2009.

Secretary and Director: Diana Blakeman

Ms. Blakeman has been our Secretary and a Director since our inception in May 2016 in Watford, Herts, United Kingdom. Ms. Blakeman has also been the Secretary and a Director of UK Affiliate in Watford, Herts, United Kingdom since October 2008.

Business Development Director and Director: Jackie Perkins

Ms. Perkins has been our Business Development Director and a Director since our inception in May 2016 in Watford, Herts, United Kingdom. Ms. Perkins has also served as a Business and Brand Consultant for Peterborough Sports Stadium in Peterborough, United Kingdom since June 2008.

USA Training Manager: Linda Davis

Ms. Davis has been our USA Training Manager since July 2017 in Kansas City, Kansas. Prior to that, Ms. Davis was a Personal Stylist and Colour Consultant with StyleArt Inc. in Kansas City, Kansas from November 2012 until June 2017.

USA Managing Director: Kimberly Mayhew

Ms. Mayhew has been our USA Managing Director since July 2021 in Hebrew, Kentucky. Ms. Mayhew was not working from August 2019 to July 2021. Prior to that, Ms. Mayhew was Market Manager/Regional Sales Director for Salon Lofts from March 2014 to August 2019 in Columbus, Ohio.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

*Initial Franchise Fee*

You must pay us an initial franchise fee (“Initial Franchise Fee”) of \$19,500 when you sign the Franchise Agreement. The Initial Franchise Fee is payment for all of our pre-opening assistance, equipment and inventory that we provide to you to allow you to open your House of Colour Business and also offsets some of our franchisee recruitment expenses. If, during training, we determine in our sole discretion that you will not be capable of complying with our standards, we will terminate the Franchise Agreement, deduct our costs incurred in training you from the Initial Franchise Fee, and issue to you a partial refund of your Initial Franchise Fee. Except as described in the preceding sentence, the Initial Franchise Fee is fully earned upon receipt and is non-refundable. The Initial Franchise Fee is uniformly applied.

During our last fiscal year, ended April 30, 2021, we collected Initial Franchise Fees of \$2,500 to \$17,000.

The Initial Franchise Fee includes a package of initial equipment and inventory that you will use in the operation of your House of Colour Business. This package will be delivered following the completion of the initial training and before you open your House of Colour Business. The contents of this package may change from time to time in our sole discretion. The package currently consists of a makeup starter pack, color wheel, color drapes and stationery.

*Financial Assurances*

Some states have imposed financial assurance requirements on the franchisor. Please refer to the Addendum in Exhibit E to the Franchise Disclosure Document.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>(2)</sup>	Currently \$175 or 3% of Gross Revenues per month, whichever is higher	Due on the 15 <sup>th</sup> of each month	The “ <u>Royalty</u> ” is the greater of \$175 or three percent (3%) of “Gross Revenues” during the previous month. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance. The monthly Royalty will be adjusted for inflation each year on January 1 using the United States Consumer Price Index.
Advertising Fund Contribution <sup>(3)</sup>	Not currently charged; up to 2% of Gross Revenues per month, if established	Due on the 15 <sup>th</sup> of each month	We do not currently charge this fee. The Advertising Fund is discussed in Item 11.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Local and Regional Advertising Cooperatives <sup>(4)</sup>	Not currently charged; not to exceed 1% of monthly Gross Revenues	Established by cooperative members	We currently do not have a cooperative, but reserve the right to require one to be established in the future. If a local or regional advertising cooperative is established, contribution amounts will be established by the cooperative members, subject to our approval. Item 11 contains more information about advertising cooperatives.
Unauthorized Advertising Fee	\$500 per occurrence	On demand	This fee is payable to us or, if established, the Advertising Fund, if you use unauthorized advertising in violation of the terms of the Franchise Agreement.
Late Report Fee	\$100 per day, beginning on the first day after report is due	On demand	You are required to submit a monthly report that we specify on the 5 <sup>th</sup> day of each month. If you fail to submit this report you must pay a \$100 per day late fee beginning on the day following the due date. You must continue to pay this fee until you have submitted the report.
Insurance	Reimbursement of our costs, plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained, plus 20% of the premium as an administrative cost of obtaining the insurance.
Additional Training or Assistance Fees <sup>(5)</sup>	Then-current fee (currently \$12,000 per additional person for initial training, and between \$300-\$450 per day for the first attendee and \$250-\$300 per day for additional attendees for any additional training or assistance), plus reasonable travel, meals, lodging and other related expenses	Payable in advance of the training or assistance	We provide initial training at no charge for certain persons. We may charge you for training additional persons, newly-hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request. The fee amount will depend on the training required and experience level of the trainer.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Continuous Professional Development Training (“CPD Training”)	Then-current annual fee (currently \$300)	Payable in advance of the training	We provide annual online CPD Training for all franchisees to keep franchisees’ skills up to date. This fee is due regardless of whether or not you participate in the CPD Training. You must pay this fee in advance of your CPD Training; provided that if you fail to participate in CPD Training, you must pay us any remaining balance due at the end of the calendar year.
Failure to Implement Changes or Improvements	Costs we or our representatives incur to implement any required change or improvement required by us if you fail to do so	On invoice	If you do not implement any required changes or improvements required by us within 30 days (or other time specified by us) following a visit to your House of Colour Business, we have the right to do so. You will reimburse us for any related costs we incur.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service, or proposed supplier nominated by you.
Replacement of Confidential Operations Manual	\$500	On demand	Payable if your copy of the confidential operations manual is lost, destroyed, or significantly damaged.
Assessment Fee <sup>(6)</sup>	Our then-current costs (currently approximately \$200)	On demand	You must take our standard assessments within the first year of operation of your House of Colour Business, and within every three years from the date of the last assessment.
Fashion Update Fee	Up to \$100 every six months	As incurred	You must purchase from us a Fashion Update Digital Document twice a year, in February and August of each year.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Technology Fee <sup>(7)</sup>	Not currently charged	Same as Royalty	We currently do not charge this fee. This fee will cover certain technologies used in the operation of your House of Colour Business. This fee, if imposed, will be reasonable and may be paid to us, our affiliates or to third party suppliers (or a combination of the above). We reserve the right to upgrade, modify, and add new software. We reserve the right to license, sublicense, and create software and technology that House of Colour franchisees must pay for and use. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software, or from increases from third party vendors.
Convention Fee	Then-current fee (currently estimated to be \$0 to \$300 per person)	On demand	Payable to us to help defray the cost of your attendance at any annual convention that we choose to hold. This fee is due regardless of whether or not you attend our annual convention in any given year.
Customer Issue Resolution	Reasonable costs we incur for responding to a customer complaint, which varies	On invoice	Payable if a customer of your House of Colour Business contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of our addressing the issue.
Taxes <sup>(8)</sup>	Reimbursement to us for certain taxes imposed on payments to us	On demand	You must reimburse us for all sales, excise, trademark, franchise, value-added, or similar taxes imposed upon us for collecting any of the fees or payments required under the Franchise Agreement.
Late Fee and Interest <sup>(9)</sup>	\$100 per occurrence plus interest at the rate of 1.5% per month or the highest rate allowed by law, whichever is less	On demand	Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full.
Non-Sufficient Funds Fee	The greater of \$100 per occurrence, or the highest amount allowed by law	As incurred	Payable if any check or EFT payment is not successful due to insufficient funds, stop payment, or any similar event.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses	On demand	You will be required to pay this if an audit reveals that you understated monthly Gross Revenues by more than three percent (3%).
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your House of Colour Business or Franchise.
Management Fee	\$500 per day, plus costs and expenses	As incurred	Payable if we or our affiliate manages or appoint an interim manager to manage the House of Colour Business because you are in breach of the Franchise Agreement.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Renewal Fee	\$500	At the time you sign the new franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement.
Transfer Fee	\$500	\$250 non-refundable deposit at time of transfer application submittal, and the remaining balance of fee at time of approved transfer	Payable in connection with the transfer of your House of Colour Business, a transfer of ownership of your legal entity, or a transfer of the Franchise Agreement.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	If you transfer your House of Colour Business to a third party or purchaser, you must reimburse all our actual costs for commissions, finder's fees and similar charges.

Notes:

1. **Fees.** All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“**EFT**”) or other similar means. You are required to complete the ACH authorization (in the form attached to this Franchise Disclosure Document in **Exhibit G**).

We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. The term “Gross Revenues” means the aggregate of all gross receipts of the House of Colour Business, including all fees, charges, other amounts received or charged, and the value of all products or services received from customers, vendors, or any other entity for products sold or services provided or contracted, whether for cash or barter, on a charge, credit, or time basis, but excluding excise, sales and use taxes, gross receipts taxes, or similar taxes paid by you based on sales, if those taxes are separately stated when the end-use customer is charged, and also excluding bona fide refunds, allowances, or discounts to customers. Gross Revenues includes all proceeds from any business interruption insurance.
3. Advertising Fund Contribution. We may elect to establish a national advertising fund for the promotion of the System and the Marks. Currently, the Advertising Fund has not been established. If formed, you will be required to contribute up to two percent (2%) of your Gross Revenues per month to the Advertising Fund. For more information on the Advertising Fund, see Item 11.
4. Local and Regional Advertising Cooperatives. We reserve the right to establish a local or regional advertising cooperative if two or more House of Colour Businesses are operating in a market designated by us. If a local or regional advertising cooperative is established, contribution amounts to the local or regional advertising cooperative will be not exceed one percent (1%) of monthly Gross Revenues. We anticipate that each House of Colour franchisee and each House of Colour Business that we own will have one vote for each House of Colour Business operated in the designated market. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document.
5. Additional Training or Assistance Fees. Additional training for you or your employees may include assistance and consultation we provide to you. We may also provide additional training to address franchisee defaults or deficiencies. We currently charge between \$300-\$450 per day for the first attendee and \$250-\$300 per day for additional attendees for this additional training. If you wish to have any of your employees attend and complete our initial training program, you must pay us a training fee of \$12,000 for each trainee. You are responsible for any travel related costs and expenses.
6. Assessment Fee. To maintain the standards and the reputation of the System you must undertake our standard assessment known as the Professional Excellence Certificate (“Assessment(s)”). The Assessments will be undertaken within the first year from the beginning of the term and then within every three years from the date of the last Assessment. Our assessor will contact you at any time within these periods to conduct the Assessment(s) and apply testing criteria to evaluate you and your employees’ performance with clients and otherwise, at your business or another suitable location. If you do not meet the Assessment standards you will be required to undergo further training and further Assessment(s) as determined by us.
7. Technology Fee. We will provide you with certain technical services in exchange for your monthly technology fee (“Technology Fee”), which may change from time to time based on changes to the technical services we provide and/or our costs to provide these services. We do not currently charge a Technology Fee. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you,

in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. We also reserve the right to create proprietary software or technology that must be used by House of Colour franchisees, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees. We can change the software and technology that must be used by our franchisees at any time, which may result in changes to the Technology Fee.

8. **Taxes.** You must reimburse us for all sales, excise, trademark, franchise, value-added, or similar taxes imposed on us in collecting any fees or payments required under the Franchise Agreement. This requirement does not apply to any income tax or any optional alternative to an income tax imposed on us.
9. **Late Fee and Interest.** If any payment is received by us more than 15 days past due or if an audit of your books discloses that you have underpaid us by three percent (3%) or more in any month, you must pay to us immediately on demand, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the lesser of one and one-half percent (1.5%) per month or the maximum rate permitted by law.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$19,500	\$19,500	Lump sum	When you sign the Franchise Agreement	Us
Grand Opening Advertising <sup>(2)</sup>	\$500	\$2,500	As incurred	As incurred	Vendors
Training Expenses <sup>(3)</sup>	\$500	\$3,000	As incurred	As incurred	Providers of Travel, Lodging, and Food Services
Insurance <sup>(4)</sup>	\$350	\$1,000	As incurred	Before opening	Vendors
Licenses <sup>(5)</sup>	\$50	\$250	As incurred	Before opening and according to statute or ordinance	Government Agencies
Computers, Software, Office Equipment, Phones <sup>(6)</sup>	\$500	\$2,500	As incurred	Before opening and as arranged	Vendors, Utility Providers
Professional Fees <sup>(7)</sup>	\$0	\$4,000	As incurred	Before opening	Lawyer, accountant or other professionals
Office Supplies, Stationery <sup>(8)</sup>	\$100	\$1,000	As incurred	As incurred	Vendors
Additional Funds – 3 Months <sup>(9)</sup>	\$345	\$3,000	As incurred	As incurred	Employees, Vendors, Suppliers
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$21,845</b>	<b>\$36,750</b>			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your House of Colour Franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and are non-refundable under any circumstances once paid, except for the Initial Franchise Fee as described in Item 5. All expenses payable to third parties are non-refundable, depending on their policies or your arrangements with them.

1. Initial Franchise Fee. The Initial Franchise Fee is payment for the pre-opening assistance, equipment and inventory that we provide to you to allow you to open your House of Colour Business and also offsets some of our franchisee recruitment expenses. The Initial Franchise Fee includes a package of initial equipment and inventory that you will use in the operation of your House of Colour Business. The contents of this package may change from time to time in our sole discretion. The Initial Franchise Fee is fully earned by us once paid and is non-refundable except as described in Item 5.
2. Grand Opening Advertising. You must conduct a grand opening advertising program. We will consult with you regarding the program. You must spend between \$500 and \$2,500, for the grand opening advertising program, which includes your time.
3. Training Expenses. The estimate includes costs for travel and living expenses for one person while training. Training generally is conducted in Kansas City, Kansas, but may be conducted at a location more convenient to the majority of the attendees at a scheduled training session or online. If you wish to have any other individuals trained by us, you must pay an additional \$12,000 fee per person. See Items 6 and 11.
4. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. If you have had prior issues or claims from previous operations unrelated to the operation of a House of Colour Business, your rates may be significantly higher than those estimated above.
5. Licenses. You must obtain the licenses and permits that are required (if any) to occupy the premises (if any) and operate the House of Colour Business at your location and in your jurisdiction. The nature and amounts of these licenses will depend on the local laws, rules and ordinances in your jurisdiction.
6. Computers, Software, Office Equipment, Phones. See Item 11 for the required computer and related equipment. The low estimate assumes you currently own this equipment. The high estimate assumes you will need to purchase these items.
7. Professional Fees. We strongly recommend that you hire a lawyer, accountant or other professional to advise you on this Franchise offering. Rates for professionals can vary significantly based on area and experience.
8. Office Supplies, Stationery. The estimate includes an initial supply of letterhead, envelopes, business cards, and various standard office supplies.
9. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your House of Colour Business. They include the Royalty and other fees payable to us, advertising, bank charges, state taxes, depreciation/amortization, and other miscellaneous items. This range does not include an estimate of your

salary and assumes that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this Franchise Disclosure Document, we estimated the start-up phase to be three months from the date your House of Colour Business opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your House of Colour Business. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for House of Colour Franchises.

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

### Standards and Specifications

You must operate your House of Colour Franchise according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate (if applicable) related to establishing and operating the House of Colour Franchise under our specifications, which may include purchasing these items from: (i) our designees, (ii) approved suppliers; and/or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operations manual (“Manual”) states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your House of Colour Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Manual or through written communication (including electronic communication such as email or through a system-wide intranet).

You must use the computer hardware and software that we periodically designate to operate your House of Colour Business. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify (which may be limited to us and/or our affiliates).

You must obtain the insurance coverage required under the Franchise Agreement, including the following: (1) comprehensive general liability coverage, including products liability coverage, and liability coverage of owned and non-owned automobiles used for business purposes, under one or more policies of insurance containing minimum liability coverage of \$2,000,000 per occurrence for bodily injury and property damage, and multi-peril package, and umbrella coverage of an additional \$1,000,000, or minimum liability coverage of \$2,000,000 per occurrence with an annual aggregate of \$3,000,000; (2) business interruption for a period adequate to re-establish normal business operations; (3) workers’ compensation and employer’s liability insurance as well as any other insurance that may be required by statute or rule in the state in which your House of Colour Business is located; and (4) any other insurance that we may require in the future or that may be required according to the terms of your Lease. The insurance company must be authorized to do business in the state where your House of Colour Business is located, and must be approved by us. It must also be rated “A” or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties.

## Purchases from Approved Suppliers

We will provide you with a list of our designated and approved suppliers in our Manual. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications, and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. If we do not respond, your request will be deemed disapproved. We reserve the right to charge a fee to evaluate the proposed product, service, or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to House of Colour Franchises to ensure timely deliveries of the products or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products, and we reserve the right to revoke our approval of any supplier, product, or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product, or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

You must purchase all products, equipment, supplies, and materials only from approved suppliers (including manufacturers, wholesalers, and distributors). We estimate that approximately between fifty percent (50%) and ninety percent (90%) of purchases required to open your House of Colour Business and between fifty percent (50%) and ninety percent (90%) of purchases required to operate your House of Colour Business will be from us or from other approved suppliers, and under our specifications.

You must purchase certain equipment, signage, initial inventory, materials, marketing materials and supplies from us in establishing and operating your House of Colour Franchise, and we are the only approved supplier of these items. We and our affiliates may derive revenue from these sales and may sell these items at prices exceeding our or their costs. Some of our officers own an interest in HOC, which is an approved supplier. None of our officers own an interest in any other approved suppliers.

Currently, we have approved certain suppliers of clothing. You may elect to use alternative sources if they meet our criteria.

During our last fiscal year ended April 30, 2021, we derived \$1,341,641 in revenue from the sale or lease of products or services to franchisees. This revenue represents approximately 74.5% of our total revenue of \$1,800,890. During this same period our affiliate did not sell or lease products or services to franchisees.

We and our affiliates may receive rebates or other consideration from suppliers in consideration for goods or services that we require or advise you to obtain from approved suppliers, and we reserve the right to do so in the future. Our revenue or other consideration received may include promotional allowances, volume discounts, and other payments.

We do not have purchasing and distribution cooperatives as of the Issuance Date of this Franchise Disclosure Document; however, we may negotiate alternative purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees, and we reserve the right to receive rebates or volume discounts from our purchase of products we may resell to you. We do not provide material benefits, such as renewing or granting additional Franchises to franchisees based on their use of designated or approved suppliers. There are no caps or limitations on the maximum rebates we may receive from our suppliers as the result of franchisee purchases.

**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Sections 7.2 and 7.3	Items 11 and 12
b. Pre-opening purchases/leases	Sections 7.3 and 16.1	Items 5 and 8
c. Site development and other pre-opening requirements	Section 7	Item 11
d. Initial and ongoing training	Section 5	Item 11
e. Opening	Section 7.1	Item 11
f. Fees	Sections 4.2, 5, 6, 8.3, 11, 12, 14, 16.3, 17.2, 20.2, 21.5, and 22	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 6.2 and 12	Items 8, 11, 13, 14, 15 and 16
h. Trademarks and proprietary information	Sections 15 and 18	Items 13 and 14
i. Restrictions on products/services offered	Section 12	Items 8 and 16
j. Warranty and customer service requirements	Sections 6.3 and 12	Item 12
k. Territorial development and sales quotas	Section 3	Item 12
l. Ongoing product/service purchases	Section 12	Items 8 and 16
m. Maintenance, appearance, and remodeling requirements	Section 4.2	Item 11
n. Insurance	Section 16.1	Item 7
o. Advertising	Section 11	Items 6 and 11
p. Indemnification	Section 19	Not applicable
q. Owner’s participation/management and staffing	Section 8.3	Item 15
r. Records and reports	Section 16	Item 6
s. Inspections and audits	Section 17	Items 6 and 11
t. Transfer	Section 20	Item 17
u. Renewal	Sections 4.1 and 4.2	Item 17
v. Post-termination obligations	Sections 15.3 and 22	Item 17
w. Non-competition covenants	Section 15	Items 15 and 17
x. Dispute resolution	Section 22.3	Item 17

**ITEM 10  
FINANCING**

We do not offer direct or indirect financing to you. We do not guarantee your note, lease, or other obligation.

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

**Except as listed below, HOC is not required to provide you with any assistance.**

Pre-opening Obligations

Before you open your House of Colour Franchise, we (or our designee(s)) will provide the following assistance and services to you:

1. Because you do not have to obtain a site outside of your home from which to operate your House of Colour Business, we do not provide you with assistance in doing so. You may open a retail or commercial space, but it is not required. If you choose to rent a retail or commercial location within your Territory, you must first obtain our written approval of your proposed location before signing any lease, sublease, or other document for your House of Colour Business (Section 7.2 of the Franchise Agreement).
2. Provide an initial training program in Kansas City, Kansas or another location designated by us, or online ("Initial Training Program") for you (or your operating principal if you are an entity) in the operation of the House of Colour Business (Section 5.1 of the Franchise Agreement).
3. Loan to you, or make available to you on our website, one copy of the Manual. The Manual contains approximately 117 pages. The table of contents for the Manual is attached to this Franchise Disclosure Document as Exhibit F (Section 6.2 of the Franchise Agreement).
4. At your request, train any other members of your staff that you nominate; provided that you will be responsible for the cost of such additional training (Section 5.2 of the Franchise Agreement).
5. Provide you with consultation and advice to assist you in opening an efficient business, including advice and consultation regarding the purchase of equipment, materials, and products; accounting; bookkeeping; advertising; and the day-to-day operation of the House of Colour Business (Section 6.4 of the Franchise Agreement).
6. Provide you with advice on the stocking requirements of the House of Colour Business prior to its opening and in particular to make available to you a stock of equipment and materials that you will need to conduct the House of Colour Business (Section 6.4 of the Franchise Agreement).
7. Provide you with advice on the grand opening advertising program to take place prior to and during the ten-day period following the opening of the House of Colour Business (Sections 6.4, 11.2 and 11.3 of the Franchise Agreement).
8. Maintain a website to promote the products and services offered at House of Colour Businesses. We will include the information about your House of Colour Business in the website that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion (Section 6.5 of the Franchise Agreement).
9. We may negotiate purchase agreements with suppliers and distributors for the benefit of our franchisees to obtain discounted prices for us and House of Colour franchisees (Section 6.6 of the Franchise Agreement).

10. License to you the Marks necessary to begin operating your House of Colour Business (Section 18 of the Franchise Agreement).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing House of Colour Businesses.

#### *Site Selection*

Except as otherwise explained in this paragraph, we do not approve the location of your House of Colour Business. We expect that you will operate your House of Colour Business out of your home. If you choose to rent a retail or commercial space, you must first obtain our written approval of your proposed location before signing any lease, sublease, or other document for the House of Colour Business. You are responsible for ensuring that the premises conform to our standards and specifications and local ordinances and building codes, and obtaining any required permits. The retail space would need to have significant natural daylight from windows (not skylights) with suitable fixtures and fittings, have good safe access for clients during normal business hours, and be at least 50 square feet with suitable access to amenities. Our approval will be for the retail space only and not the lease. We will provide written notice of our approval decision of your location within 10 days of receiving the request. We may provide you with advice or assistance, if we deem it appropriate in the circumstance. We generally do not own retail or commercial spaces that we would lease to you.

#### *Schedule for Opening*

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of the House of Colour Business is 30 days. Some factors that may affect this timing include your ability to secure any necessary financing; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment and inventory; and the time to convert, renovate, or otherwise prepare your House of Colour Business. You must open your House of Colour Business no later than 30 days from the date the Franchise Agreement is signed. If you choose to rent a commercial retail space, you may initially operate out of your home to meet the 30-day requirement.

While you may begin to market your House of Colour Business and schedule bookings once you sign the Franchise Agreement, you may not start offering providing services through open your House of Colour Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you have completed either the colour or style portion of the Initial Training Program to our satisfaction (provided that you may only offer the related colour or style services for which you have completed training); (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request; (5) you notify us that all approvals and conditions stated in the Franchise Agreement have been met; (6) you have received all required permits and licenses; and (7) you have ordered, received and installed your fixtures, equipment, supplies, inventory and related materials. You must be prepared to open and operate your House of Colour Business immediately after we state your House of Colour Business is ready for opening.

#### Continuing Obligations

During the operation of your House of Colour Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Provide you with advice, know-how, and guidance on management, finance, promotion, and methods of operation to be employed in or about the System and with respect to any equipment and materials and products to be employed in connection with it (Section 6.4 of the Franchise Agreement).
2. Upon reasonable request, provide advice regarding your House of Colour Business operations based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone, or other methods in our discretion (Section 6.4 of the Franchise Agreement).
3. Provide you with details of any alterations and/or improvements in or to the System (Section 6.2 of the Franchise Agreement).
4. Provide you with sample stationery, reports, invoices, and other documentation for your use in dealing with customers and other third parties (Section 11.2 of the Franchise Agreement).
5. Supply you with all requirements for equipment and materials and the products (Section 12.4 of the Franchise Agreement; Section 5 of the Franchise Agreement).
6. Communicate the value of commission due to you and credit you the percentage commission stated in the Manual due through sales made to your clients in the website (Section 6.5 of the Franchise Agreement).
7. Provide the information technology and other items for, and permit use of, the website and email for the House of Colour Business (Section 6.5 of the Franchise Agreement).
8. List franchisee locations on the website so that potential clients can identify each franchisee geographically (Section 6.5 of the Franchise Agreement).
9. Provide additional training to you for newly-hired personnel on the House of Colour brand and System guidelines, refresher training courses, and additional training or assistance that, in our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Section 5 of the Franchise Agreement). We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the House of Colour System and brand standards to your key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the House of Colour Business. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the House of Colour Business.
10. Allow you to continue to use confidential materials, including the Manual and the Marks (See Section 18 of the Franchise Agreement).

#### Optional Assistance

During the term of the Franchise Agreement, we (or our designee(s)) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks, or copyrighted materials, new products, new equipment, or new techniques (See Section 12.2 of the Franchise Agreement).

2. Make periodic visits to the House of Colour Business for the purpose of assisting in all aspects of the operation and management of the House of Colour Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the House of Colour Franchise, and detailing any problems in the operations that become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges (See Section 5.2 of the Franchise Agreement).

3. Maintain and administer an Advertising Fund. We may dissolve the Advertising Fund upon written notice (See Section 11.1 of the Franchise Agreement).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting House of Colour franchisees (See Section 5.6 of the Franchise Agreement).

5. In our sole discretion, pay you a referral bonus in an amount that we determine in our discretion in cash, services or product credit for referring a third party franchise prospect to us, who ultimately becomes a House of Colour franchisee. In any given period of time, the amount and/or value of the referral bonus will be uniform for all franchisees. We may increase or decrease the referral bonus at any time and by any amount in our discretion; however, the referral bonus will not exceed \$3,000. You are authorized only to identify the prospect to our franchise sales staff. You are not authorized to act as our agent or franchise broker and may not provide any information to prospects other than our information brochure. We may provide notice of the referral bonus to the prospective franchisee receiving the Franchise Disclosure Document. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice. The factors concerning our decision to start, modify, or terminate the referral program include the number of franchises that we sell, the number of referrals that we receive from current franchisees and the quality of referrals that we receive from current franchisees (See Franchise Agreement – Section 6.7).

## Advertising

### *Advertising Fund*

We reserve the right to establish a national advertising fund for marketing, developing, and promoting the System (“Advertising Fund”) and charge an advertising fee (“Advertising Fund Contribution”) of up to two percent (2%) of your monthly Gross Revenues. You must pay the Advertising Fund Contribution by separate check from any other monies paid to us at the same time you pay your Royalty, based on the Gross Revenues you generated in the previous reporting period.

Your contribution to the Advertising Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Advertising Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Franchisor owned outlets may, but are not required to, contribute to the Advertising Fund on the same basis as franchisees.

The Advertising Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Advertising Fund will be in a separate bank account, commercial account, or savings account.

We have complete discretion on how the Advertising Fund will be utilized. We may use the Advertising Fund for local, regional, or national marketing, advertising, sales promotion, and promotional materials; public and consumer relations; website development and search engine optimization; the development of technology for the System; and any other purpose to promote the House of Colour brand.

We may reimburse ourselves, our authorized representatives, or our affiliates from the Advertising Fund for administrative costs; independent audits; reasonable accounting, bookkeeping, reporting, and legal expenses; taxes; and all other direct or indirect expenses associated with the programs funded by the Advertising Fund. This reimbursement will not exceed 20% of all contributions to the Advertising Fund. We do not guarantee that advertising expenditures from the Advertising Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Advertising Fund contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available,” or similar phrasing, or include information regarding acquiring a Franchise on or as a part of materials and items produced by or for the Advertising Fund.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Advertising Fund or to maintain, direct, or administer the Advertising Fund. Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Advertising Fund on any terms we deem reasonable.

The Advertising Fund is not audited. We will provide an annual accounting for the Advertising Fund that shows how the Advertising Fund proceeds have been spent for the previous year upon written request. We did not collect or spend any Advertising Fund Contributions during our last fiscal year, ended April 30, 2021.

#### *Local Advertising*

In addition to the Advertising Fund Contributions, we strongly advise you to spend at least \$500 each month on local advertising and marketing, including a search engine optimization program. You must submit samples of all advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) if we have not prepared or previously approved them. You may not use plans or materials until they have been approved by us. If you have not received written approval within 30 days of our receipt of these samples or materials, you may not use them. You must stop using any advertising disapproved by us immediately upon notice (Section 11.3 of the Franchise Agreement).

You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions consistent with advertising programs established by us, and further agree to honor the rebates, giveaways, and other promotions issued by other House of Colour franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards/certificates, and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all House of Colour Businesses, and you will not issue coupons or discounts of any type except as approved by us.

#### *Advertising Cooperatives*

You may be required to participate in any local or regional advertising cooperative for House of Colour Franchises that is established. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative, not to exceed one percent (1%) of monthly Gross Revenues, for each House of Colour Business that the franchisee owns that exists within the cooperative’s area. Each House of Colour Business we own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. We anticipate that each House of Colour franchisee and each House of Colour Business that we own will have one vote for each House of Colour Business operated in the designated market. Members of the cooperative will be responsible for administering the cooperative, including deter-

mining the amount of contributions from each member. We have the right to establish an advertising council to self-administer an advertising cooperative. We may require that each cooperative that exceeds five franchisee members must operate with governing documents. Each cooperative must prepare annual unaudited financial statements, and such statements will be provided for review to each member of such cooperative. We reserve the right to form, change, dissolve, or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your territory, you will be required to participate in compliance with the provisions of the Manual, which we may periodically modify in our discretion (Section 11.4 of the Franchise Agreement).

### *Grand Opening Advertising Program*

We will consult with you on the implementation of a grand opening advertising program (“Grand Opening Advertising Program”). As noted in Item 7, you must spend between \$500 and \$2,500 on marketing and advertising (including search engine optimization) beginning on the date you complete training until 10 days after the opening of your House of Colour Business. We may provide advice on the appropriate amount of expenditure for your situation and the materials, techniques, and logistics of implementing the Grand Opening Advertising Program (Section 11.3(b) of the Franchise Agreement). The Grand Opening Advertising Program must comply with our standards and specifications and, as set forth in the Manual, you must use advertising, marketing, and public relations programs, firms, media, and materials that we approve in writing.

### *Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing*

You must order sales and marketing material from us or our approved suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks, and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. If we approve of promotional items or services that will be sold in your House of Colour Business, those items or services must be in your Gross Revenues, and will be subject to Royalties and the Advertising Fund Contributions. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to us, or if established, the Advertising Fund.

We may allow you to market your House of Colour Business through social media sites so long as you follow our online policies and procedures, which are contained in the Manual. Our online policies and procedures may change as technology and the Internet changes. Under our online policies and procedures, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We may require you to allow us access to your social media pages to manage content. In all social media activities, you must identify yourself as an independently-owned and operated franchisee. You will provide us content for our Internet marketing. We retain the right to approve or disapprove any linking or other use of our website in our sole discretion. We intend that any franchisee website will be accessed only through the House of Colour Business website that we designate.

## Franchisee Advisory Council

We reserve the right to form an advisory council (“Council”) to advise us on advertising and general business policies. The members of the Council will consist of franchisees that we choose based on level of experience and other qualifications. The purpose of the Council will be to provide input regarding the Advertising Fund and to promote communications between us and all franchisees. The Council will serve in an advisory capacity only. We will have the power to form, change, or dissolve the Council, in our sole discretion (See Section 13 of the Franchise Agreement).

## Computer Equipment and Software

You are required to own or purchase a computer system that consists of the following hardware and software: (a) desktop or laptop computer, smartphone, printer, and a Square (or similar) credit card reader; and (b) Microsoft Office 2016 or newer or Office 365 (“Computer System”). We estimate the cost of purchasing the Computer System will be between \$500 and \$2,500. The Computer System will manage the daily workflow of the House of Colour Business, coordinate the customer ordering experience, track inventory, labor, and other information. You must record all Gross Revenues on the Computer System. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Revenues of your House of Colour Franchise. You must also maintain a high-speed Internet connection at the House of Colour Business. In addition to offering and accepting House of Colour gift cards and loyalty cards, you must use our designated payment vendors. We are not obligated to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for installation, maintenance, and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the Computer System. The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, local costs of computer maintenance services in your area, and technological advances which we cannot predict at this time. In prior years, the annual costs ranged between \$0 and \$2,000. We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We (or our designee(s)) have the right to independently access the electronic information and data relating to your House of Colour Franchise, and to collect and use your electronic information and data in any manner, including to promote the System and the sale of House of Colour Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your House of Colour Business, or from other locations. We may require you to record all client contact information, color and style details, and purchases in our online database. We will not use this data to contact clients directly without your prior permission during the term of your Franchise Agreement.

## Training

### *Initial Training*

You (or your operating principal if you are an entity) must complete the Initial Training Program to our satisfaction before you open your House of Colour Business. We provide initial training at no cost for you. You must pay a \$12,000 fee for training each additional person. You (or your operating principal if you are an entity) must complete the training program to our reasonable satisfaction, as determined

by the specific program instructors, before you are able to open your House of Colour Business. Initial training classes are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the Initial Training Program. You are responsible for all your expenses to attend any training program, including lodging, transportation, food, and similar expenses.

The Initial Training Program consists of (a) “Setting-Up Training” and (b) “Colour Training” and/or “Style Training.” The Initial Training Program is deemed completed once you have completed Setting-Up Training and either Colour Training or Style Training. If you do not complete both Colour Training and Style Training before opening, we will provide the remaining training within the first 12 months of operation. There are no additional charges to those described above for Colour Training or Style Training that is provided within the first 12 months.

We plan to provide the training listed in the table below.

### **TRAINING PROGRAM**

#### Setting-up Training

Subject	Hours of Classroom/ Virtual Training	Hours of On-the-Job Training	Location
How to Start your Business	4.5 hours spread over 1 to 6 weeks	0	Virtual
Being the Very Best You	1.5	1	Virtual and Kansas City, Kansas
Learning Styles	1	0	Virtual and Kansas City, Kansas
Marketing your Business	4.5 hours spread over 1 to 6 weeks	1	Virtual and Kansas City, Kansas
<b>Totals</b>	<b>11.5</b>	<b>2</b>	

#### Colour Training

Subject	Hours of Classroom/ Virtual Training	Hours of On-the-Job Training	Location
The Theory of Colour Analysis	4	26	Virtual and Kansas City, Kansas
Running a Make-up Session	1	0	Virtual
Tools of the Trade	3	1	Virtual and Kansas City, Kansas
Working with Clients	9	19	Virtual and Kansas City, Kansas
<b>Totals</b>	<b>17</b>	<b>46</b>	

## Style Training

Subject	Hours of Classroom/ Virtual Training	Hours of On-the-Job Training	Location
Understanding Body Architecture	8	1.5	Virtual and Kansas City, Kansas
Understanding Personality Analysis and Determining Clothing Personality	6	8	Virtual and Kansas City, Kansas
Patterns Style and Features	1	0	Virtual
Women's' Personal Style Theory	4	3	Virtual and Kansas City, Kansas
Men's' Personal Style Theory	8	4	Virtual and Kansas City, Kansas
Totals	27	16.5	

### Notes:

1. The training subjects may vary, and the training may be less than the times indicated above, depending on the number and experience and skill level of the attendees. We will use the Manual, products required to operate the House of Colour Franchise, and live models as the primary instruction materials during the Initial Training Program.
2. Linda Davis, our USA Training Manager, currently oversees our training program to which she brings five years of training experience, eight years of experience in the personal stylist, image consultant, and color analysis industry and seven years with us or our affiliate. Teresa Rowen will also be helping with initial and ongoing training. She has been a leading franchisee with over 4 years' experience, as well as a Special Education Associate with Community schools.
3. Other instructors will include experienced House of Colour managers and/or assistant managers who bring a minimum of two years of training experience, five years of industry experience, and a minimum of five years of experience with the us or our affiliate.

### *Ongoing Training*

From time to time, we may require that you (or your operating principal if you are an entity), and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional, while others may be required. If we conduct an inspection of your House of Colour Business and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend or that we provide remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either in Kansas City, Kansas or at your House of Colour Business). We may consider many factors in determining whether or not to require that you or your employees attend or that we provide additional training, including: (a) the length of time since your completion of the Initial Training Program; (b) the existence of new procedures, processes, or technology in the System or in your service segment; and (c) performance. Subjects covered in any additional training may include: (i) System-wide changes in processes, procedures, or offerings; (ii) franchisee-specific or employee-specific trouble-shooting; (iii) sales and marketing; (iv) service; (v) computer hardware and software; and (vi) financial recordkeeping. Additional training, if and when provided, will generally be at least one day and may last up to three days. You or employees must pay a fee for additional training, and you will be responsible for your travel expenses to attend additional training and all costs and expenses any training we provide.

We provide an online CPD Training for all franchisees to keep their skills up to date. You must pay the then-current fee for CPD Training (currently \$300 per year) payable prior to beginning training. This fee is due regardless of whether or not you participate in the CPD Training. CPD Training will cover topics such as advanced style training, advanced colour training, and developing accessorizing skills.

In addition to participating in ongoing training, you (or your operating principal, if you are an entity) will be required to attend an annual meeting of all franchisees at a location we designate and pay a convention fee if we hold an annual meeting of all franchisees (See Item 6). You are responsible for all travel and expenses for your attendees.

## **ITEM 12 TERRITORY**

The Franchise Agreement for your House of Colour Franchise grants you a protected territory (“Territory”) based on the geographic area, population and properties within that area and other relevant demographic characteristics. We will use commercially reasonable efforts to grant only one license to a franchisee for any area with a population of approximately 100,000 persons in the designated geographical location. The population statistics used in determining your Territory will be based on numbers derived from the current U.S. Census report and supplemented with other information available and other population statistical sources of our choosing to determine populations. In certain densely populated metropolitan areas, a territory may be small if it has a high population density, while franchisees operating in less densely populated areas may have significantly larger areas. The Territory will be described in the Franchise Agreement and may be depicted on a map attached to the Franchise Agreement as an exhibit.

As long as you are in compliance with the Franchise Agreement and meet the performance criteria described below, we will not locate another House of Colour Business in the Territory. You may solicit customers or provide in-person and online services outside the Territory only with our consent and subject to any policies or procedures contained in the Manual. Such permission may be withheld for any or no reason. Otherwise, you may not engage in any promotional activities or market our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. All of your advertising and marketing is subject to our approval of both form and content. See Item 11.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We retain the right, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights, to:

- (a) establish, own, or operate, and license others to establish, own, or operate, House of Colour Businesses outside of the Territory as we deem appropriate;
- (b) establish, own, or operate, and license others to establish, own, or operate, other businesses under other systems using other trademarks at locations inside and outside of the Territory as we deem appropriate;
- (c) purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to the House of Colour Business (and/or acquire franchise, li-

cense, and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Territory;

(d) be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises, and/or licenses businesses that compete with your House of Colour Business within the Territory;

(e) provide the services and sell the products authorized for House of Colour Businesses using the Marks or other trademarks, service marks, and commercial symbols through any alternate channel of distribution inside and outside the Territory (including delivery of services and/or products at a client's home or place of business) on such terms and conditions as we deem appropriate; and

(f) establish and implement (through the Manual) policies and procedures for the servicing of "National Accounts" (defined below).

We are not required to compensate you for soliciting or accepting orders from inside your Territory.

We reserve the right to advertise, market, solicit, or promote the System using other channels of distribution. We do not currently operate, franchise, or have plans to operate or franchise a House of Colour Business under a different trademark to sell goods or services similar to those that you will offer.

We expect that you will operate your House of Colour Business from your residence, which does not require our approval of the location. If you choose to rent a retail or commercial location within your Territory, you must first obtain our approval of your proposed location before signing any lease, sublease, or other document for your House of Colour Business. You may operate the House of Colour Business only from the location listed in the Franchise Agreement. If you choose to rent a commercial space and the lease for your House of Colour Business expires or is terminated without your fault, or if the site for the House of Colour Business is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the House of Colour Franchise to a new site acceptable to us. Relocation of a retail or commercial space for any other reason will be subject to our approval, which may be withheld in our sole discretion. Any relocation will be subject to the site selection provisions stated above. Any relocation will be at your sole expense. Our approval will, among other things, be based on the following factors: (i) where your House of Colour Business will be located; (ii) whether or not such relocation will infringe upon the rights of other franchisees; and (iii) the time it will take to relocate your House of Colour Business.

We may adopt additional branding and appearance requirements and other modifications to the System relevant to the operation of your House of Colour Business from a fixed retail or commercial location.

If you wish to purchase an additional House of Colour Franchise, you must apply to us, and we may, at our discretion, offer an additional Franchise to you. We consider a variety of factors when determining whether to grant additional Franchises. Among the factors we consider, in addition to the then-current requirements for new House of Colour franchisees, are whether or not the franchisee is in compliance with the requirements under their current franchise agreement.

You do not receive the right to acquire additional House of Colour Franchises within or outside the Territory. You are not given a right of first refusal on the sale of existing House of Colour Franchises.

### *Performance Criteria*

Beginning 18 months after you sign the Franchise Agreement, we will evaluate your House of Colour Business for the development of your Territory and active implementation of the System based on certain performance criteria (“Performance Criteria”) set forth in our Manual, and impose a minimum annual Gross Revenue requirement of \$45,000 (“Minimum Gross Revenue Criteria”). Following your initial evaluation, we will evaluate your House of Colour Business yearly on the anniversary of signing the Franchise Agreement, beginning on your second anniversary, or 24 months after you sign the Franchise Agreement. This evaluation is separate from the Assessments. If your performance under the Performance Criteria is in the lowest 10% of all franchised units operating under the System and the Marks in the state in which your Territory is located, and you have not achieved the Minimum Gross Revenue Requirement we may: (a) require you and other employees we determine to attend additional training programs; or (b) provide on-site assistance and consultation at your expense. If there are fewer than 10 House of Colour Franchises in the state in which your Territory is located, then your performance will be measured against all franchised units operating under the System and the Marks in the entire United States. If we provide any additional training, assistance or consultation, you must cover all costs and expenses for such training assistance or consultation. If, at the time of your next annual evaluation, (1) you have failed to improve your performance under the Performance Criteria by at least 10%, (2) your performance has continued to be in the lowest 10% of all franchised units operating under the System and the Marks in either the state in which your Territory is located or the entire the United States if there are fewer than 10 House of Colour Franchises in the state, and (3) you have not achieved the Minimum Gross Revenue Requirement, we may eliminate your territorial protection or terminate the Franchise Agreement. The Minimum Gross Revenue Criteria will be adjusted for inflation when you renew your House of Colour Business by comparing the United States Consumer Price Index (“Price Index”) for the year in which you renew your House of Colour Business to the Price Index for the year you executed the Franchise Agreement you are renewing. Any adjustment to the Minimum Gross Revenue Criteria will not exceed the difference between the Price Index for the month which immediately precedes the date you renew the Franchise Agreement and the average monthly Price Index during the calendar year of the effective date of the Franchise Agreement.

You must follow System Standards at all times, including during the first 18 months of operations, and we may issue a default notice or terminate your Franchise Agreement for failure to do so, as allowed under the Franchise Agreement.

The Minimum Gross Revenue Criteria should not be construed as and is not intended to be a statement of projected income by us.

Other than the Performance Criteria and Minimum Gross Revenue Requirement, no other circumstances permit us to modify your territorial rights.

### *National Accounts*

The term “National Account” means any customer: (i) that conducts its business for its own account or through agents, affiliates, independent contractors, or franchisees in two or more of our corporate or franchise territories; (ii) a regional or national chain with three or more locations, which customer or chain has contracted with us to obtain products and services for two or more of its locations from us, our affiliates and/or franchisees; or (iii) which owns, manages, controls, or otherwise has responsibility for businesses in more than one location and whose presence is not confined within any one particular franchisee’s territory. We reserve the right to establish and implement (through the Manual) policies and procedures for the servicing of National Accounts, which may include eligibility criteria to participate in National Accounts programs, referral fees to franchisees, and maximum fees to be charged for specified

services to a particular National Account. You must service all National Accounts we indicate; however if you can demonstrate to our satisfaction in writing that servicing a particular National Account will result in a financial loss or cause an undue hardship on you, you will not be obligated to service that National Account and we shall have the right to service the National Account directly or indirectly (through another franchisee, licensee, or other designee), even if it is located in your Territory. Any dispute regarding whether a particular customer is a National Account will be determined by us, in our sole determination.

We reserve all rights not specifically granted to you.

### ITEM 13 TRADEMARKS

The Franchise Agreement and your payment of the Royalties grant you the non-exclusive right and license to operate your Franchise using our principal Marks listed below. You may also use other future trademarks, service marks, and logos we approve to identify your House of Colour Franchise.

Until May 1, 2020, the Marks and the System were owned by UK Affiliate and licensed exclusively to us under a perpetual license granted June 1, 2016. The Marks and the System were assigned by UK Affiliate to our parent, Festival, on May 1, 2020. As of the Issuance Date, we are in the process of recording an assignment with the United States Patent and Trademark Office (“USPTO”). Festival has granted us an exclusive license (“Trademark License”) to use the Marks to franchise the System in the United States. The Trademark License began on May 1, 2020. It is perpetual in duration provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. If the Trademark License is terminated, Festival has agreed to license the use of the Marks directly to our franchisees until such time as each franchise agreement expires or is otherwise terminated. The following Marks are registered with the USPTO:

Registered Mark	Registration Number	Registration Date	Register
HOUSE OF COLOUR	4,297,355	March 5, 2013	Registered on the Principal Register
HOUSE OF COLOUR	5,731,752	April 23, 2019	Registered on the Principal Register

In addition to the Marks in the table immediately above, we also claim common law rights for the following Marks, which have not been registered with the USPTO or any individual state:

Mark	Serial Number	Filing Date	Status
	N/A	N/A	Common Law
	N/A	N/A	Common Law

We do not have a federal registration for our common law trademarks shown above. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our

right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

Except for the Trademark License, no agreement significantly limits our right to use or license the Marks in any manner material to the House of Colour Franchise. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your House of Colour Business that you are an independently-owned and operated licensed franchisee of House of Colour USA, Inc. You may not use the Marks in the sale of unauthorized products or services, or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the House of Colour Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the Marks, consistent with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

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

The information in the Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Manual, our advertising materials, the content and format of our products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted

information (“Copyrighted Works”) for the operation of your House of Colour Franchise, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation, and franchising of House of Colour Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of House of Colour Franchises, and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your House of Colour Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours, and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other House of Colour Franchises during the term of the Franchise Agreement.

You must notify us within three days after you learn about another’s use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets, and we are not required to participate in the defense of, or provide indemnification to you in connection with, any proceeding related to the Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Works, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets. If we require you to modify or discontinue use of the Copyrighted Works, Confidential Information, or Trade Secrets, you must comply with all of our requirements.

No patents or patents pending are material to us at this time.

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

You must personally participate in the direct operation of the House of Colour Business. If you are not an individual, you must designate an “Operating Principal” acceptable to us who will be principally responsible for communicating with us about the House of Colour Business. The Operating Principal must have the authority and responsibility for the day-to-day operations of your House of Colour Business and must have at least 10% equity. The Operating Principal must satisfactorily complete our Initial Training Program.

If you are an entity, any officer that does not own equity in the franchisee entity must sign the System Protection Agreement, which is attached to this Franchise Disclosure Document in Exhibit G. All of your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a System Protection Agreement), which is attached to this Franchise Disclosure Document in Exhibit G. If you are an entity, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign an Owners Agreement guarantying the obligations of the entity, which is attached to the Franchise Agreement as Attachment C.

You may not appoint any Operating Principal who does not complete our Initial Training Program to our satisfaction. If an Operating Principal is replaced, the new Operating Principal must successfully complete our Initial Training Program within 60 days after the termination of the former Operating Principal, unless we do not hold an Initial Training Program during that 60-day period, in which case the replacement Operating Principal must attend and successfully complete the first available Initial Training Program held by us. You may be charged a training fee for a replacement Operating Principal, and the travel expenses and salary and benefits must be paid by you (See Item 6). The factors used by us in determining whether you will be charged a training fee include the location of training, the length and type of training necessary, the costs borne by us in conducting the training, the replacement Operating Principal’s previous experience and skill, and our availability.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell or offer for sale only those products and services authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services at our discretion with prior notice to you (See Item 8). If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. There are no limitations on our rights to make changes to the required services and products offered by you. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions as allowed by law. There are no limits on the customers to whom you may sell products and services.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

## THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise term	Section 4.1	Five years.
b. Renewal or extension of the term	Section 4.1	You may renew for two consecutive three-year renewal terms if you are in good standing and meet our conditions.
c. Requirements for Franchisee to renew or extend	Section 4.2	The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a franchisee after the initial term of your Franchise Agreement expires. You must give us notice of your intent to renew; modernize the equipment, signs, and other materials used in the House of Colour Business to reflect the System standards in effect at the time; are not in default; have paid all your monetary obligations; sign our then-current Franchise Agreement and any ancillary documents for the successor term; sign a release of claims against us; meet our qualification and training requirements in effect at the time; and pay us a renewal fee. When renewing, you may be asked to sign a contract with materially different terms and conditions than your initial contract.
d. Termination by Franchisee	Section 21.1	You have the right to terminate your Franchise Agreement under any grounds subject to applicable law.
e. Termination by franchisor without “cause”	Not applicable	Not applicable.
f. Termination by franchisor with “cause”	Sections 21.2 and 21.3	We can terminate your Franchise Agreement if you are in default.
g. “Cause” defined – curable defaults	Section 21.3	You will have 30 days to cure defaults, except defaults which are “non-curable.”
h. “Cause” defined - non-curable defaults	Section 21.2	Non-curable defaults include: bankruptcy or insolvency; failure to complete training; abandonment of the House of Colour Business; conviction of a felony or certain misdemeanors and other crimes; threat or danger to public health or safety or to the health or safety of any animal under your supervision; any unapproved transfer; failure to effect a transfer within six months following death or incapacity; failure to comply with or obtain covenants; disclosure of Confidential Information; misuse of the Marks; refusal to allow inspection of books and records; and recurring defaults.
i. Franchisee’s obligations on termi-	Section 22	You must: stop representing yourself as a

Provision	Section in Franchise Agreement	Summary
nation/non-renewal		franchisee; pay all amounts due; stop using our Marks; return the Manual, all Confidential Information, Trade Secrets, and records; deliver any client lists.
j. Assignment of contract by franchisor	Section 20.1	We may transfer the Franchise Agreement to any person or legal entity.
k. "Transfer" by Franchisee – defined	Section 20.2	" <u>Transfer</u> " includes any voluntary, involuntary, direct, or indirect sale, assignment, transfer, conveyance, pledge, encumbrance, merger, grant of a security interest, or gift by you or any of your successors (including any individual, partnership, corporation, or other legal entity that owns you) of more than five percent (5%) of your interest in the Franchise Agreement, the House of Colour Business, or interest in the Franchise.
l. Franchisor approval of transfer by Franchisee	Sections 20.2	Before you may transfer, you must request and receive from us our written consent to the proposed transfer.
m. Conditions for franchisor approval of transfer	Section 20.2	You may transfer if: you have paid all your monetary obligations; you are not in default; you sign a release of claims against us; the purchaser enters into an assignment acceptable to us or signs our then-current Franchise Agreement; the purchaser complete the Initial Training Program; the purchaser modernizes the equipment, signs and other materials used in the House of Colour Business to reflect the then-current System standards; you remain liable for obligations arising up to the date of transfer; the transferee successfully completes training; you pay us a transfer fee; and you must sign a non-compete agreement not to engage in a competitive business for one year within: (i) a 25-mile radius of that your House of Colour Business (and including the premises of the House of Colour Business); and (ii) or a 25-mile radius of all other another House of Colour Businesses that are operating or under development.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 20.4	We have 60 days to match any offer for your House of Colour Business.
o. Franchisor's option to purchase Franchisee's business	Section 22.2	We may, but are not required to, purchase your House of Colour Franchise, inventory, or equipment at fair market value if your Franchise is terminated for any reason by giving you written notice of our intent to exercise this option within 60 days after the date of termination or expiration of the Franchise Agreement.
p. Death or disability of Franchisee	Section 20.3	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the Franchise	Section 15.3	Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees' House of Colour Franchise(s), subject to applicable law.
r. Non-competition covenants after the Franchise is terminated or expires	Section 15.3	Owners cannot have an interest in, own, manage, operate, finance, control, or participate in any competitive business within: (i) a 25-mile radius of your House of Colour Business (and including the premises of the House of Colour Business); and (ii) a 25-mile radius of all other House of Colour Businesses that are operating or under development, for one year, subject to applicable law.
s. Modification of agreement	Section 6.2, 12.2 and 24.9	No modifications generally unless in writing and signed by both parties, but the Manual is subject to change by us.
t. Integration/merger clause	Section 24.9	Only the terms of the Franchise Agreement and other related written agreements, found in <u>Exhibit G</u> , identified as Contracts for use with the House of Colour Franchise, are binding (subject to applicable state law). The <u>Exhibit G</u> Contracts include the General Release Agreement, System Protection Agreement, Confidentiality Agreement, Automated Clearing House Payment Authorization Form and Approval of Requested Assignment. Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 22.3	Except for certain claims, all disputes must be mediated or arbitrated in Virginia, subject to applicable state law.
v. Choice of forum	Section 22.3	All disputes must be mediated, arbitrated, and if applicable, litigated in Virginia, subject to applicable state law.
w. Choice of law	Section 24.1	The laws of the state where the House of Colour Business is located applies, subject to applicable state law.

## ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our franchise.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Marcus King, House of Colour USA, Inc., 7 Bell Yard, London, WC2A 2JR, United Kingdom, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

All year end numbers appearing in the tables below are as of April 30 in each year.

Table No. 1  
System-wide Outlet Summary  
For Years 2018-2019 to 2020-2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018 to 2019	23	28	+5
	2019 to 2020	28	40	+12
	2020 to 2021	40	74	+34
Company-Owned	2018 to 2019	0	0	0
	2019 to 2020	0	0	0
	2020 to 2021	0	0	0
Total Outlets	2018 to 2019	23	28	+5
	2019 to 2020	28	40	+12
	2020 to 2021	40	73	+33

Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2018-2019 to 2020-2021

State	Year	Number of Transfers
Missouri	2018 to 2019	1
	2019 to 2020	0
	2020 to 2021	0
Texas	2018 to 2019	1
	2019 to 2020	0
	2020 to 2021	1
Totals	2018 to 2019	2
	2019 to 2020	0
	2020 to 2021	1

Table No. 3  
Status of Franchised Outlets  
For Years 2018-2019 to 2020-2021

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Arizona	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	1	0	0	0	0	1
California	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	2	0	0	0	0	3
	2020 to 2021	3	1	0	0	0	0	4
Colorado	2018 to 2019	2	0	0	0	0	1	1
	2019 to 2020	1	1	0	0	0	1	1
	2020 to 2021	1	0	0	0	0	0	1
Florida	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	0	0	0	0	0	1
	2020 to 2021	1	0	0	0	0	0	1
Georgia	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	3	0	0	0	0	3
Hawaii	2018 to 2019	1	0	0	0	0	1	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Illinois	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	3	0	0	0	0	3
Iowa	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	2	0	0	0	0	3
	2020 to 2021	3	5	0	0	0	0	8
Kansas	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	0	0	0	0	0	1
	2020 to 2021	1	1	0	0	0	0	2
Kentucky	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	1	0	0	0	0	1
Michigan	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	2	0	0	0	0	2
Minnesota	2018 to 2019	3	0	0	0	0	0	3
	2019 to 2020	3	2	0	0	0	0	5
	2020 to 2021	5	0	0	0	0	0	5
Missouri	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	0	0	0	0	0	1
	2020 to 2021	1	1	0	0	0	0	2
Nebraska	2018 to 2019	3	4	0	0	0	0	7
	2019 to 2020	7	1	0	0	0	0	8
	2020 to 2021	8	0	0	0	0	0	8
New Mexico	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	1	0	0	0	0	1
New York	2018 to 2019	2	0	0	0	0	2	0
	2019 to 2020	0	1	0	0	0	0	1
	2020 to 2021	1	0	0	0	0	0	1
North Carolina	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	2	0	0	0	0	2
North Dakota	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	1	0	0	0	0	1
Ohio	2018 to 2019	1	1	0	0	0	0	2
	2019 to 2020	2	0	0	0	0	0	2
	2020 to 2021	2	0	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Oklahoma	2018 to 2019	1	1	0	0	0	0	2
	2019 to 2020	2	1	0	0	0	0	3
	2020 to 2021	3	2	0	0	0	0	5
Pennsylvania	2018 to 2019	2	1	0	0	0	0	3
	2019 to 2020	3	0	0	0	0	1	2
	2020 to 2021	2	1	0	0	0	0	3
Rhode Island	2018 to 2019	0	1	0	0	0	0	1
	2019 to 2020	1	0	0	0	0	0	1
	2020 to 2021	1	0	0	0	0	0	1
South Carolina	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	0	0	0	0	0	1
	2020 to 2021	1	1	0	0	0	0	2
South Dakota	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	1	0	0	0	0	1
Texas	2018 to 2019	1	2	0	0	0	1	2
	2019 to 2020	2	3	0	0	0	0	5
	2020 to 2021	5	5	0	0	0	1	9
Virginia	2018 to 2019	1	0	0	0	0	0	1
	2019 to 2020	1	0	0	0	0	0	1
	2020 to 2021	1	1	0	0	0	0	2
Washington	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0	0
	2020 to 2021	0	1	0	0	0	0	1
Wisconsin	2018 to 2019	0	0	0	0	0	0	0
	2019 to 2020	0	1	0	0	0	0	1
	2020 to 2021	1	0	0	0	0	0	1
Total	2018 to 2019	23	10	0	0	0	5	28
	2019 to 2020	28	14	0	0	0	2	40
	2020 to 2021	40	34	0	0	0	1	73

Table No. 4

Status of Company-Owned Outlets  
For Years 2018-2019 to 2020-2021

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total Outlets	2018 to 2019	0	0	0	0	0	0
	2019 to 2020	0	0	0	0	0	0
	2020 to 2021	0	0	0	0	0	0

Table No. 5

Projected Openings as of  
April 30, 2021 for 2021-2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Colorado	0	1	0
Connecticut	0	1	0
Iowa	0	2	0
Florida	0	4	0
Iowa	0	1	0
Massachusetts	0	3	0
Minnesota	0	2	0
North Carolina	0	1	0
Illinois	0	1	0
New York	0	2	0
Ohio	0	2	0
Pennsylvania	0	2	0
South Carolina	0	1	0
Texas	0	7	0
Washington	1	2	0
Wisconsin	0	1	0
Total	1	35	0

The names, addresses, and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit D. The name and last known address and telephone number of

every current franchisee and every franchisee who has had a House of Colour Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period ending April 30, 2021, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit D. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the House of Colour System. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the House of Colour System. If you buy a House of Colour Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit B contains the financial statements required to be included with this Franchise Disclosure Document: audited financial statements as of April 30, 2021, April 30, 2020 and April 30, 2019. Our fiscal year end is April 30.

## **ITEM 22 CONTRACTS**

The following exhibits contain proposed agreements regarding the Franchise:

Exhibit C	Franchise Agreement
Exhibit E	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the House of Colour Franchise

## **ITEM 23 RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit J, are a detachable document, in duplicate. Please detach, sign, date, and return one copy of the Receipt to us, acknowledging that you received this Franchise Disclosure Document. Please keep the second copy for your records.

**EXHIBIT A**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<p><b><u>CALIFORNIA</u></b></p> <p>State Administrator and Agent for Service of Process:</p> <p>Commissioner Department of Financial Protection and Innovation 320 W. 4<sup>th</sup> Street, #750 Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677</p> <p><b><u>HAWAII</u></b></p> <p>Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><u>Agent for Service of Process:</u></p> <p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b></p> <p>Illinois Attorney General Chief, Franchise Division 500 S. Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b></p> <p>Secretary of State Securities Division Room E-018 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u></p> <p>Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020</p> <p><b><u>MICHIGAN</u></b></p> <p>Michigan Department of Attorney General Consumer Protection Division 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117</p> <p><b><u>MINNESOTA</u></b></p> <p>Department of Commerce Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600</p> <p><b><u>NEW YORK</u></b></p> <p><u>Administrator:</u></p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8285</p> <p><u>Agent for Service of Process:</u></p> <p>Secretary of State 99 Washington Avenue Albany, NY 12231</p> <p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 E. Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563</p> <p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9<sup>th</sup> Floor Richmond, VA 23219</p> <p><u>Agent for Service of Process:</u></p> <p>Clerk of the State Corporation Commission 1300 E. Main Street, 1<sup>st</sup> Floor Richmond, VA 23219</p> <p><b><u>WASHINGTON</u></b></p> <p><u>State Administrator:</u></p> <p>Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760</p> <p><u>Agent for Service for Process:</u></p> <p>Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501</p> <p><b><u>WISCONSIN</u></b></p> <p>Department of Financial Institutions Division of Securities 201 W. Washington Avenue Madison, WI 53703 (608) 266-3364</p>
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Rev. 102720

**EXHIBIT B**

**FINANCIAL STATEMENTS**

**HOUSE OF COLOUR USA, INC.**

Financial Statements  
with Report of Independent Auditors

April 30, 2021, 2020 and 2019



HOUSE OF COLOUR USA, INC.

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## *Independent Auditors' Report*

To the Stockholder  
of House of Colour USA, Inc.

### **Opinion**

We have audited the accompanying financial statements of House of Colour USA, Inc., (“the Company”) (a Virginia corporation), which comprise the balance sheets as of April 30, 2021, 2020, and 2019, and the related statements of income, changes in stockholder’s equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Colour USA, Inc. as of April 30, 2021, 2020, and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Keza S Dunlay

St. George, Utah  
August 18, 2021

HOUSE OF COLOUR USA, INC.

Balance Sheets  
As of April 30, 2021, 2020 and 2019

<b>Assets</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current assets:			
Cash and cash equivalents	\$ 548,738	\$ 35,960	\$ 25,686
Accounts receivable, less allowance for doubtful accounts of \$0 at April 30, 2021, 2020 & 2019	55,529	20,076	14,927
Inventory	217,995	44,501	29,005
Prepaid expenses	48,823	-	8,094
Due from related party current portion	-	25,000	62,740
Deferred contract costs	191,568	14,584	-
Note receivable	-	-	3,000
Total current assets	<u>1,062,653</u>	<u>140,121</u>	<u>143,452</u>
Due from related party long term portion	-	76,232	-
Total assets	<u>\$ 1,062,653</u>	<u>\$ 216,353</u>	<u>\$ 143,452</u>
<b>Liabilities and Stockholder's Equity</b>			
Current liabilities:			
Accounts payable	\$ 55,543	\$ 16,527	\$ 23,886
Officers payable	24,838	-	-
Accrued expenses	233,546	31,619	29,653
Income taxes payable	-	1,986	7,762
Deferred revenue	416,650	79,546	50,522
Loans payable, related party	123,007	-	-
Total current liabilities	<u>853,584</u>	<u>129,678</u>	<u>111,823</u>
Total liabilities	<u>853,584</u>	<u>129,678</u>	<u>111,823</u>
Stockholder's equity:			
Common stock, \$1 par value, authorized 25,000 shares; issued and outstanding 10,000 shares	10,000	10,000	10,000
Accumulated stockholder's equity	199,069	76,675	21,629
Total stockholder's equity	<u>209,069</u>	<u>86,675</u>	<u>31,629</u>
Total liabilities and stockholder's equity	<u>\$ 1,062,653</u>	<u>\$ 216,353</u>	<u>\$ 143,452</u>

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

HOUSE OF COLOUR USA, INC.  
Income Statements  
For the years ended April 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue:			
Product sales	\$ 1,341,641	\$ 559,516	\$ 303,597
Franchise sale fees	266,581	182,747	117,091
Training fees	123,215	23,835	7,054
Royalty fees	52,536	41,643	25,676
Other revenue	16,917	15,200	18,264
Total revenue	<u>1,800,890</u>	<u>822,941</u>	<u>471,682</u>
Cost of sales	1,084,316	458,376	248,252
Gross profit	<u>716,574</u>	<u>364,565</u>	<u>223,430</u>
General and administrative expenses	343,248	149,911	118,416
Management fees	140,000	110,000	55,000
Marketing expenses	59,472	27,385	19,858
Operating expenses	<u>542,720</u>	<u>287,296</u>	<u>193,274</u>
Net income from operations before provision for income taxes	<u>173,854</u>	<u>77,269</u>	<u>30,156</u>
Provision for income tax expense	44,750	19,889	7,762
Net income from operations	<u>\$ 129,104</u>	<u>\$ 57,380</u>	<u>\$ 22,394</u>

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

HOUSE OF COLOUR USA, INC.  
 Statements of Changes in Stockholder's Equity  
 For the years Ended April 30, 2021, 2020 and 2019

	Common Stock		Accumulated	Total
	Shares	Amount	Stockholder's Equity	
Balances at April 30, 2018	10,000	\$ 10,000	\$ (3,099)	\$ 6,901
Stockholder's contributions	-	-	2,334	2,334
Net income	-	-	22,394	22,394
Balances at April 30, 2019	10,000	10,000	21,629	31,629
Dividends to stockholders	-	-	(2,334)	(2,334)
Net income	-	-	57,380	57,380
Balances at April 30, 2020	10,000	10,000	76,675	86,675
Adoption of ASC 606	-	-	(6,710)	(6,710)
Net income	-	-	129,104	129,104
Balances at April 30, 2021	10,000	\$ 10,000	\$ 199,069	\$ 209,069

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

HOUSE OF COLOUR USA, INC.  
 Statements of Cash Flows  
 For the years ended April 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:			
Net income	\$ 129,104	\$ 57,380	\$ 22,394
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Accounts receivable	(35,453)	(5,149)	(14,556)
Inventory	(173,494)	(15,496)	(29,005)
Prepaid expenses	(48,823)	8,094	(8,094)
Due from related party	-	-	(45,521)
Note receivable	-	3,000	(3,000)
Accounts payable	39,016	(7,359)	19,382
Officers payable	24,838	-	-
Accrued expenses	201,927	1,966	4,731
Income taxes payable	(1,986)	(5,776)	7,762
Deferred contract costs	(126,712)	(14,584)	-
Deferred revenue	280,122	29,024	50,522
Net cash provided by operating activities	<u>288,539</u>	<u>51,100</u>	<u>4,615</u>
Cash flows from financing activities:			
Loans from related parties	123,007		
Loans to related party	101,232	(38,492)	-
Contributions from stockholder	-	-	2,334
Dividends to stockholder	-	(2,334)	-
Net cash provided by (used in) financing activities	<u>224,239</u>	<u>(40,826)</u>	<u>2,334</u>
Net change in cash and cash equivalents	512,778	10,274	6,949
Cash and cash equivalents at beginning of period	<u>35,960</u>	<u>25,686</u>	<u>18,737</u>
Cash and cash equivalents at end of period	<u>\$ 548,738</u>	<u>\$ 35,960</u>	<u>\$ 25,686</u>
Supplemental disclosures of cash flow			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ 89,091</u>	<u>\$ 25,665</u>	<u>\$ -</u>

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

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

House of Colour USA, Inc. (the "Company") was incorporated on May 11, 2016 in the state of Virginia. The Company was formed for the purpose of developing a franchise network in the United States. The Company is a franchisor offering a franchise program for establishing and operating personal stylist, image consultant and color analysis businesses. Consultants receive training from the Company to become highly qualified and well-respected personal stylists. Consultants provide style and color analysis to their clients and offer a variety of classes in cosmetics and skincare.

The Company's parent company is Festival Road Ltd., a United Kingdom Limited Company organized on September 16, 2008.

The company uses the accrual basis of accounting, and their accounting period is the 12-month period ending April 30 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Reclassification*

Certain items in the prior year have been reclassified to conform to the current year's presentation.

*(e) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

*(f) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and upon provision/shipment and invoicing of services or products from the Company's offices. Accounts receivable are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collections, customers' current creditworthiness, age of the receivable balance both individually and in the aggregate, and general economic conditions that may affect the customer's ability

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. When recoveries of receivables previously charged off are made, they are recognized as income when payment is received. The Company concluded that all of the receivables were fully collectible as of April 30, 2021, 2020, and 2019; consequently, no allowance for doubtful accounts has been established.

*(g) Inventory*

Inventory consists of cosmetic products and support materials and is measured at the lower of cost or net realizable value. The cost of inventory is determined based on the first-in, first out method.

*(h) Revenue Recognition*

The Company's revenues consist of fees from franchisees such as initial fees, royalties, renewal fees, transfer fees and proceeds from the sale of services and products. The franchise agreements offered under the Company's Uniform Franchise Disclosure Document have a term of five years. The franchise fee is \$17,000 for a single territory franchise.

The franchisees are required to pay the Company a monthly royalty fee equal to the greater of \$150 per month or 3% of gross monthly revenues. The Company may establish an advertising fund. If an advertising fund is established, contributions not to exceed 2% of gross monthly revenue would be required.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which amends the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. This new revenue guidance supersedes nearly all of the existing general revenue recognition guidance under U.S. GAAP as well as most industry-specific revenue recognition guidance, including guidance with respect to revenue recognition by franchisors. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The effective date of ASU 2014-09 for nonpublic entities was fiscal years beginning after December 15, 2018.

On April 8, 2020, the FASB announced a decision to add a project to its research agenda to see if there were opportunities to provide revenue recognition implementation expedients to franchisors. As the project was ongoing, private company franchisors were allowed the option to defer the adoption of ASC 606 Revenue from Contracts with Customers for an additional year. Thus, the effective date for nonpublic franchisors became fiscal years beginning after December 15, 2019. Management elected to defer adoption of ASC 606 until fiscal year 2021.

The Company adopted the new standard as of May 1, 2020, the first day of the Company's fiscal year using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 resulted in a decrease to beginning retained earnings of \$6,710, an increase in deferred contract costs of \$50,272 and an increase in deferred revenue of \$56,982. The implementation of ASC 606 also results in a decrease in the franchise sales revenue and contract costs included in cost of sales. Under previous revenue recognition guidance, franchise sale fees revenue and contract costs would have been \$326,564 more and \$133,201 more, respectively. Net income would have also been higher by \$193,363.

The following table summarizes the impact on the balance sheet of implementation of ASC 606 as of May 1, 2020:

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

	Prior to implementation of ASC 606	After implementation of ASC 606	Net Increase (Decrease)
Deferred contact costs (asset)	14,584	64,856	50,272
Deferred revenue (liability)	66,518	123,500	56,982
Equity	86,675	79,965	(6,710)

The following table summarizes the impact on the income statement of implementation of ASC 606 for the period ended April 30, 2021:

	Prior to implementation of ASC 606	After implementation of ASC 606	Net Increase (Decrease)
Franchise sale fees (revenue)	585,564	259,000	(326,564)
Contract costs (expense)	265,913	132,712	(133,201)
Net income	319,651	126,288	(193,363)

As part of the adoption of the ASU, the Company elected the following transition practical expedients: to apply the standard only to contracts that are not completed at the initial date of application.

The Company also elected to adopt another practical expedient that was issued with ASU No. 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)" to account for pre-opening services as distinct from the franchise license and to recognize pre-opening services as a single performance obligation.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of monthly royalties from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. The standard does have an effect on the process the Company uses to evaluate the recognition of the initial fees.

In allocating the transaction price and recognizing the revenue associated with initial fees, the Company elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. The pre-opening services that may accounted for as distinct per the practical expedient include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

Management has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon completion of training.

The Company's policy through April 30, 2020 was to recognize franchise sale fees revenue when the Company had performed substantially all initial services required by the franchise agreement. Those initial services were generally considered substantially performed when the franchisee had completed training and had received a package of initial equipment. For franchisees who had not completed training or received the initial equipment package as of the end of a reporting period, the portion of the franchise fee, net of direct costs recognized related to commissions and fees paid was deferred.

Revenue from products, materials and services such as training is recognized upon provisioning/shipment and invoicing.

*(i) Income Taxes*

FASB ASC 740 creates a single model to address accounting for uncertainty in tax positions by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FASB ASC 740 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. There are no unrecognized tax benefits to disclose in the notes to the financial statements. The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. The Company was incorporated May 11, 2016 and has a fiscal year ending April 30; accordingly, as of April 30, 2021, the 2020, 2019, and 2018 tax years are subject to examination.

*(j) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the period ending April 30, 2021, 2020, and 2019 were \$59,472, \$27,385, and \$19,858, respectively.

*(k) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

*(l) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

*(2) Prepaid Expenses*

Prepaid expenses as of April 30, 2021 consist of amounts paid in advance for insurance and federal and state taxes.

*(3) Accrued Expenses*

Accrued expenses consist of several expenses including accounting fees, marketing expenses, training fees, legal fees, and commissions incurred, but not paid before year-end. Accrued expenses at the end of fiscal year 2021 also included an accrual for replacement wallet costs of \$82,329. The Company has been using temporary plastic wallets due to issues at their wallet supplier. The Company will need to replace the temporary wallets with actual wallets once they are received. Accrued expenses as of April 30, 2021, 2020, and 2019 were \$233,546, \$31,619, and \$29,653.

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

(4) Income Taxes

The principal components of deferred taxes are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred Tax Asset:			
Net operating loss	\$ -	\$ -	\$ -
Allowance on net operating loss	-	-	-
Deferred tax asset, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The components of the provision for income taxes are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax expense at federal statutory rate	\$ 34,319	\$ 15,253	\$ 5,953
State tax, net of federal effect	10,431	4,636	1,809
Total provision for income taxes	<u>\$ 44,750</u>	<u>\$ 19,889</u>	<u>\$ 7,762</u>

As of the years ended April 30, 2018 and 2017 the Company had approximately \$1,101 and \$1,998 of loss carryforwards to reduce future taxable income. The loss carryforwards must be utilized within 20 years.

(5) Deferred Revenue and Contract Costs

During the years ended April 30, 2020 and 2019, the Company received franchise sale fees and associate training fees of \$71,675 and \$50,522, respectively. As of April 30, 2020 and 2019, the Company determined it had not performed all of its significant obligations under the franchise agreements as the franchisees and associates had not completed training. Thus, in accordance with its revenue recognition policy, the Company elected to defer the franchise sale fees and associate training fees and associated expenses until such time as it had performed its obligations. The deferred revenue balance as of April 30, 2020 also included two image training fees totaling \$6,908 received in 2019 that were still deferred as the image training had not yet been completed and \$963 of email technology fees received in advance of incurring the charges. Associated deferred expenses as of April 30, 2020 were \$14,584. Associated expenses as of April 30, 2019 of \$6,200 were included in prepaid expenses. The net impact of the deferred sales was to reduce net income from operations by \$63,999 and \$44,322, respectively.

Deferred revenue as of April 30, 2021 in accordance with the Company's new revenue policy is \$416,650. Associated deferred contract costs are \$191,568. In addition to initial franchise sales fees of \$387,000 included in deferred revenue, there are associate training fees of \$29,650 for associate trainings that were not complete by year end.

(6) Parent and Affiliate Entities

The Company's parent company is Festival Road Ltd., a United Kingdom Limited Company organized on September 16, 2008. As of May 1, 2020, Festival Road Ltd. owns the intellectual property and trademarks for the House of Colour franchise system and licenses it to the Company.

The Company has an affiliate entity, House of Colour, Ltd. ("House of Colour UK"), a United Kingdom limited company organized on December 19, 1985. House of Colour UK previously owned the intellectual property and trademarks for the House of Colour franchise system until May 1, 2020 and has operated a franchise system of personal stylist, image consultant and color analysis businesses in the United Kingdom and other countries.

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

(7) Related Party Transactions

The Company's affiliate and the Company have made payments or advances on behalf of one another to provide for operations and inventory management. As of the years ended April 30, 2020 and 2019, the Company had a receivable balance due from its affiliate of \$101,232 and \$62,740, respectively. The advances between the entities bear no interest. The receivable balance due from the affiliate as of the end of fiscal year 2020 was to be repaid in installment payments of \$25,000 a year during future fiscal years 2021, 2022, 2023 and 2024. The first \$25,000 payment was paid on August 5, 2020 and the remaining receivable balance was netted with advances from the affiliate during fiscal year 2021. As of April 30 2021, the Company had a payable to the affiliate of \$68,405.

The Company's affiliate also provides many resources to the Company including employee resources and office space. The Company began paying management fees to its affiliate in fiscal year 2018. Management fees for the years ended April 30, 2021, 2020, and 2019 were \$140,000, \$110,000, and \$55,000, respectively. The Company also began paying a fee for intellectual property use to its affiliate in fiscal year 2019. The fee paid to its affiliate in fiscal years 2020 and 2019 was \$41,295 and \$23,584, respectively. As the intellectual property is owed by the parent as of May 1, 2020, the Company paid a fee for intellectual property of \$96,879 to its parent in fiscal year 2021. \$54,602 of the intellectual property fee was payable to the parent as of April 30, 2021.

(8) Commitments and Contingencies

(a) Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

On August 15, 2018 the Company filed a Notice of Violation with the State of California related to the unauthorized sale of a franchise. The Company received approval of the Notice of Violation from the state of California August 21, 2018 and subsequently voluntarily offered rescission to the California franchisee. To date, the franchisee has not threatened litigation against the Company.

(9) Subsequent Events

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2020 and subsequent to the fiscal year 2021 year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

Subsequent to the Company's fiscal year end on July 30<sup>th</sup>, 2021, the Company signed a lease for office space to conduct trainings in. The lease commencement date is October 1, 2021. The lease has a term of 60 months and total future minimum lease payments of \$120,917.

HOUSE OF COLOUR USA, INC.

Notes to the financial statements

April 30, 2021

(10) Date of Management's Evaluation

Management has reviewed and evaluated subsequent events through August 18, 2021, the date on which the financial statements were issued.

**EXHIBIT C**

**FRANCHISE AGREEMENT**

EXHIBIT C



**FRANCHISE AGREEMENT**

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### ATTACHMENTS:

- Attachment A – Franchisee Data Sheet
- Attachment B – Ownership Interest in Franchise Owner
- Attachment C – Owner's Agreement

## HOUSE OF COLOUR USA, INC. FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Franchise Agreement”) is made and entered on the “Effective Date,” which is identified in Attachment A to this Franchise Agreement, by and between House of Colour USA, Inc., a Virginia company whose principal business address is Croxley Green Park, Hatters Lane, 7 Bell Yard, London, WC2A 2JR, United Kingdom (“Franchisor,” “we,” “us” or “our”) and the “Franchisee” (“Franchisee,” “you,” or “your”) identified in Attachment A to this Franchise Agreement. If more than one person or entity is listed as the franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement. In consideration of the following mutual promises, the parties agree as follows:

### 1. RECITALS.

**1.1 System and Marks.** We have the right to use and to license to our franchisees our proprietary and distinctive system (the “System”) relating to the establishment and operation of a business that provides personal stylist, image consultant, and color analysis and related services to the general public in-person and online within a specified territory. We also have the right to use and to license to our franchisees certain service marks, trademarks, trade names, trade dress, logos, slogans, and commercial symbols used to identify the House of Colour businesses or particular items and services offered (collectively, the “Marks”).

**1.2 Desire to Franchise.** You desire, upon the terms and conditions set forth in this Franchise Agreement, to obtain a license to use the System and Marks in the establishment and operation of a franchise (“House of Colour Franchise” or “Franchise”) to provide personal stylist, image consultant, and color analysis and related services to the general public within a specific geographic area (“House of Colour Business”). We are willing, upon the terms and conditions set forth herein, to license you to establish and operate the House of Colour Business using the Marks and the System in a Franchise. Unless the context indicates otherwise, capitalized terms have the meaning ascribed to them in this Franchise Agreement.

**2. GRANT OF FRANCHISE.** Subject to all of the terms and conditions in this Franchise Agreement, we hereby grant you a House of Colour Franchise for the right and license to develop, own and operate a House of Colour Business. We reserve all rights not expressly granted to you.

**3. TERRITORIAL RIGHTS AND LIMITATIONS.** We will describe your territory (“Territory”) in Attachment A hereto. Provided that you are in compliance with this Franchise Agreement and meet the Performance Criteria (described in Section 12.7), we will not establish another House of Colour Franchise in your Territory. You are prohibited from directly marketing to or soliciting or providing in-person or online services to customers whose principal residence is outside of your Territory, without first obtaining our written consent, which may be withheld in our sole discretion. We and our affiliates retain all rights with respect to House of Colour franchises, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

(a) the right to offer and sell and to grant others the right to offer, within or outside of your Territory, the products and services offered with House of Colour Businesses, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

(b) the right to own, franchise or operate and to grant others the right to operate House of Colour Businesses located outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to your House of Colour Business;

(c) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with your House of Colour Business, wherever located, provided that in such situations the newly acquired businesses located will not operate under the Marks inside of your Territory;

(d) to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce without our prior approval;

(e) to use and license the use of other proprietary and non-proprietary marks or methods, which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering personal stylist, image consultant, and color analysis and related services to the general public and related products and services, at any location, including within the Territory, which may be similar to or different from the House of Colour Business operated by you;

(f) to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

(g) the right to engage in any other business activities not expressly prohibited by this Franchise Agreement, both within and outside your Territory;

We are not required to pay you if we exercise any of the rights specified above within your Territory. We do not pay compensation for soliciting or accepting orders inside your Territory.

#### **4. TERM AND RENEWAL.**

**4.1. Generally.** The term of this Franchise Agreement will begin on the Effective Date and expire five years thereafter (the “Term”). If this Franchise Agreement is the initial franchise agreement for your House of Colour Business, you may enter into a maximum of two successor franchise agreements (each, a “Successor Agreement”) as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting House of Colour franchises as of the expiration of the Term or renewal term, as applicable. At the time of signing the new Successor Agreement you will pay the then-current successor fee. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Franchise Agreement. Each renewal term will be three years, for a maximum total term of six years. If you are signing this franchise agreement as a Successor Agreement, the references to “Term” shall mean the applicable renewal term of the Successor Agreement. You will have no further right to operate your House of Colour Business following the expiration of the final renewal term unless we grant you another franchise in our sole discretion. If this Franchise Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Franchise Agreement as well as your remaining renewal rights, if any.

**4.2. Renewal Requirements.** In order to enter into a Successor Agreement, you and your Owners (defined in Section 9, and as applicable) must: (i) notify us in writing of your desire to enter into a Successor Agreement not less than 120 days nor more than 180 days before the expiration of the Term or

renewal term, as applicable; (ii) modernize the equipment, signs, and other materials used in the House of Colour Business to reflect the System standards in effect at the time; (iii) not be in default under this Franchise Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement; (iv) have paid all your monetary obligations; (v) sign the Successor Agreement and all ancillary documents (including Owner's Agreement or other guaranty) that we require franchisees to sign, the terms of which may vary from this Franchise Agreement in all aspects, including higher royalty rates and other fees and a modification or reduction in your Territory; (vi) sign a general release; (vii) complete any required refresher training program at your expense; (viii) pay a renewal fee of \$500; and (ix) taken any additional actions we reasonably require.

**4.3. Interim Term.** If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Franchise Agreement, then at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise agreement to do so and in violation of our rights; or (ii) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior written notice of the party's intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Franchise Agreement will be deemed to take effect upon the termination of the Interim Term.

Except as otherwise permitted by this Section 4, you have no right to continue to operate your House of Colour Business following the expiration of the Term.

## **5. TRAINING AND CONFERENCES**

**5.1. Initial Training Program.** Initial training is provided at no charge for you, or if you are an entity, your operating principal ("Operating Principal"). You or your Operating Principal (if applicable) must attend and successfully complete our initial training program to our satisfaction. The initial training program shall be provided to you either at our training facility, another location designated by us, or online. If you attend the initial training program in-person, you must pay for any airfare, meals, transportation costs, lodging and incidental expenses for all initial training program attendees. If additional initial training is required, or more than one person must be trained, an additional fee will be assessed.

**5.2. Periodic Training.** From time to time, we may offer refresher or additional training courses for you or your Operating Principal (if applicable), and other employees. There may be additional fees for this training. Attendance at some of these training programs may be mandatory while others may be optional. If you appoint a new Operating Principal, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your House of Colour Business. If we conduct an inspection of your House of Colour Business and determine you are not operating in compliance with this Franchise Agreement, we may require that you or your Operating Principal, and other employees attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at our training facilities or at your House of Colour Business). We may charge you for any additional or periodic training at our then-current rates.

**5.3. Professional Excellence Certification.** We reserve the right to establish a standard assessment known as the Professional Excellence Certificate ("PEC"). To maintain the standards of the System, you and/or your Operating Principal (if applicable) must complete the PEC within one year of the Effective Date and within every three years thereafter from your prior PEC. If you do not complete the PEC to our standards you will be required to undergo further training and further PEC courses as determined in our sole discretion. You must pay us our then-current fee for each PEC within ten days of invoicing.

**5.4. On-Site Training.** If you request that we provide on-site training at your House of Colour Business and we agree to do so, you agree to reimburse us for all reasonable travel, meals, lodging and other expenses that we incur in providing the on-site training. These amounts are due ten days after invoicing.

**5.5. Continuous Professional Development Training.** We provide annual Continuous Professional Development Training (“CPD Training”) for all House of Colour franchisees. CPD Training is available to franchisees online. You must pay our then-current annual fee for CPD Training (currently \$300 per year). This fee is due to us each and every year regardless of whether or not you participate in the CPD Training. You must pay this fee in advance of your CPD Training; provided that if you fail to participate in CPD Training, you must pay us any remaining balance due at the end of the calendar year.

**5.6 Convention.** We may hold periodic national or regional conventions to discuss various business issues and operational and general business concerns affecting House of Colour franchisees. We may choose to hold an annual convention and charge Franchisee for an annual convention fee, regardless of whether or not Franchisee attends the annual convention, to help defray the cost of holding the annual convention. You must attend mandatory annual conventions, and may bring key personnel, at such locations as we may reasonably designate, and Franchisee shall pay all expenses of each person attending, including any convention fees and personal expenses, such as travel, lodging, meals, and other personal expenses.

## **6. OTHER FRANCHISOR ASSISTANCE.**

**6.1. Training.** We will provide the training described in Section 5 of this Franchise Agreement.

**6.2. Manual.** During the Term, we will loan you one copy of our confidential franchise operations manual (the “Manual”), which might include electronic and written materials and other medium. We may provide the Manual in hard copy format or electronic format. You agree to develop and operate the House of Colour Business pursuant to this Franchise Agreement and the Manual, including all directives, requirements, standards, methods of operations, systems and any and all modifications, additions, deletions and changes made to the Manual from time to time during the term of this Franchise Agreement, however communicated including, but not limited to intranet system, email, fax, video, verbal or mail. You agree to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply at your sole cost. You agree that the contents of the Manual are confidential and that you will not disclose the Manual to any person other than House of Colour Business employees and/or independent professionals who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manual. If your copy of the Manual is lost, destroyed, or significantly damaged you shall pay a fee of \$500 to replace the Manual. The information in the Manual is confidential and proprietary, except as stated above, it may not be disclosed to third parties without our prior approval.

**6.3. Additional Assistance.** Upon reasonable request, we may provide additional assistance or training to you at a mutually convenient time. If we agree to provide this additional assistance or training at your House of Colour Business, you must pay the then-current fee for additional training (see Section 5.2). If we are contacted by a customer of your House of Colour Business with a complaint that we then subsequently handle, at our discretion, you will be responsible for all costs (including, but not limited to, the costs of any gift cards, refunds, or other items of value) that we incur in responding to said complaint.

**6.4. General Guidance.** Based upon our periodic inspections of your House of Colour Business or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your House of Colour Business. Advice will be given during

our regular business hours and via written materials, electronic media, telephone or other methods in our discretion.

**6.5. Website.** We will provide the information technology and other items for, and permit use of, the website and email for the House of Colour Business and maintain the House of Colour website to promote the products and services offered at House of Colour Businesses. We will include the information about your House of Colour Business that we deem appropriate. We will permit you to pass to your clients a confidential combination of letters and/or numbers that we will supply from time to time to enable you to benefit from the commission payable by us derived from sales made to your clients in the webshop. We may modify the content of and/or discontinue the website at any time in our sole discretion.

**6.6. Purchase Agreements.** We may negotiate purchase agreements with suppliers and distributors for the benefit of our franchisees to obtain discounted prices for us and House of Colour franchisees. If we succeed in negotiating a purchase agreement, we will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also negotiate rebates from approved suppliers which we may keep or use as we determine in our sole discretion.

**6.7. Referral Program.** We may pay you a referral bonus of not more than \$3,000 in cash, services or product credit, in our sole discretion, for each third-party franchise prospect you refer to us who ultimately signs House of Colour franchise agreement with us and pays us the initial franchise fee within 12 months of your initial referral. You are authorized only to identify the prospect to our franchise sales staff and must do so in writing. You are not authorized to act as our agent or franchise broker and are instructed not to provide any information to prospects other than our information brochure. We may provide notice of the referral bonus to the prospective franchisee receiving the Franchise Disclosure Document. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice to you.

**6.8. Notice.** If you believe that we or our affiliates have failed to adequately provide any assistance or services to you as provided in this Franchise Agreement, you will notify us in writing within 30 days following ours or our affiliates' provision of such assistance or services. Without the timely provision of such notice to us, you will be deemed to conclusively acknowledge that all such assistance or services required to be provided by us or our affiliates were sufficient and satisfactory in your judgment.

## **7. ESTABLISHING YOUR HOUSE OF COLOUR BUSINESS**

**7.1. Opening.** You must open your House of Colour Business to the public within 30 days after signing this Franchise Agreement. While you may begin to market your House of Colour Business and schedule bookings prior to completing the Initial Training Program and after signing the Franchise Agreement, this activity must be in compliance with our standards and specifications contained in the Manual and applicable policies, you may not provide services through your House of Colour Business before: (i) successful completion of the related portion of the initial training program (i.e., you may offer style services if you complete the style portion, or color services if you complete the color portion); (ii) you purchase all required insurance and provide insurance certificates naming House of Colour USA, Inc. as an additional insured; and (iii) you obtain all required licenses, permits and other governmental approvals and a copy of all such license, permits and approvals are in your business files or are displayed when required.

**7.2. Premises.** We expect you to operate your House of Colour Business from your residence. You may operate the House of Colour Business from a retail or commercial location within the Territory ("Premises") provided that you obtain our written approval of your proposed location before signing any lease, sublease, or other document for the House of Colour Business. We do not provide assistance in

locating and contracting a Premises. You acknowledge and agree that if we recommend or give you information regarding a site for the Premises that is not a representation or warranty of any kind, express or implied, of the site's suitability for a House of Colour Business or any other purpose. You agree that you are not guaranteed any specific site and you may not be able to obtain your preferred location. We reserve the right to establish additional branding and appearance requirements and other modifications to the System relevant to the operation of the House of Colour Business from a fixed location and you agree to comply with such modifications.

**7.3. Lease.** If you elect to operate the House of Colour Business from a Premises, we have the right to approve the lease or sublease for the Premises (the "Lease") before you sign it. The Lease must be in a form acceptable to us (although we will not directly negotiate your Lease) and must include provisions:

- (1) reserving to us the right to receive an assignment of the Lease upon termination or expiration of the Franchise;
- (2) requiring the lessor concurrently to send us a copy of any written notice of a Lease default sent to you and granting us the right (but with no obligation) to cure any Lease default within 15 business days after the expiration of your cure period (if you fail to do so);
- (3) evidencing your right to display the Marks according to the specifications in the Manual (subject only to law); and
- (4) requiring the Premises to be used only for the operation of the House of Colour Business.

You acknowledge our acceptance of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a House of Colour Business operated at the Premises. Our approval indicates only that we believe the Lease terms meet our criteria. You must deliver to us a signed copy of the Lease within seven days after its execution. We strongly recommend you have your own attorney review the Lease. You must develop and construct the Premises. The Premises must meet our specifications contained in the Manual. We may inspect the Premises while you are developing the Franchise. Before you may operate the House of Colour Business from the Premises, it must conform to all local ordinances and building codes and you must obtain any required permits. You must comply with the Lease and all other agreements affecting the location and operation of the House of Colour Business and refrain from activity which would jeopardize your right to remain in possession of, or to renew the Lease.

## **8. MANAGEMENT AND STAFFING.**

**8.1. Owner Participation.** You acknowledge that a major requirement for the success of your House of Colour Business is the active, continuing, and substantial personal involvement and hands-on supervision by you or your Operating Principal (if applicable). You or your Operating Principal must at all times be actively involved in the operation of the House of Colour Business on a full-time basis, and must have at least ten percent (10%) equity in the House of Colour Business. Any new Operating Principal that we approve must successfully complete the initial training program pursuant to Section 5.1.

**8.2. Employees.** You must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of your House of Colour Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You must ensure that a sufficient number of trained employees are available to meet the operational standards and

requirements of your House of Colour Business at all times. You must ensure that your employees perform their duties in compliance with the terms of the Manual and any other materials applicable to employees that we communicate to you. You may give your employees only the minimum amount of information and material from the Manual that is necessary to enable them to perform their assigned tasks. You must ensure that your employees do not make or retain any copies of the Manual or any portion of the Manual. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. We also do not control the hiring, discipline or firing of your employees. You have sole responsibility and authority for all employment related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. Within seven days of our request, you and each of your employees will sign an employment relationship acknowledgment form stating that you alone are the employee's employer and that you alone operate your House of Colour Business. You will use your legal name on all documents for use with employees and contractors, including, but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements, and you shall not use the Marks on these documents.

**8.3. Interim Manager.** We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to temporarily manage your House of Colour Business for so long as we deem necessary and practical if either: (i) you are in breach of this Franchise Agreement; or (ii) we determine in our sole discretion that your House of Colour Business is in jeopardy or that operational problems require that we operate your House of Colour Business. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager, and you agree to indemnify and hold us harmless for and against any of the Interim Manager's acts or omissions with regards to the interests of you or third parties. If we choose to manage or appoint an Interim Manager to manage your House of Colour Business, you will pay us a daily management fee of \$500, plus all costs and expenses incurred by us and the Interim Manager in managing your House of Colour Business. You further agree to pay us all of our reasonable attorney's fees and costs incurred as a consequence of our exercise of rights in this Section.

**9. FRANCHISEE AS ENTITY.** If you are a legal entity, you agree to provide us with a list of all persons with a direct or indirect ownership interest in you ("Owners"). All Owners of the entity (whether direct or indirect) are jointly and severally responsible for the entity's performance of this Franchise Agreement and each Owner is bound by all of the terms of this Franchise Agreement. Upon our request, you must provide us with a resolution of the entity authorizing the execution of this Franchise Agreement, a copy of the entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the entity is duly formed and validly existing under the laws of the state of its formation or incorporation. The entity's organizational documents must incorporate the transfer restrictions set forth in this Franchise Agreement as they pertain to a transfer of an interest in the entity.

**10. OWNER'S AGREEMENT.** If you are an entity, you shall complete and update throughout the term of this Franchise Agreement, as necessary, the statement of ownership attached hereto as Attachment B. In addition, if you are an entity, all persons who own a direct or indirect ownership interest in you shall guaranty your performance under this Franchise Agreement by signing the Owners Agreement attached hereto as Attachment C. The Operating Principal shall have the authority to speak for and bind you in all matters pertaining to this Franchise Agreement, and all matters relating to the House of Colour Business.

## **11. ADVERTISING & MARKETING.**

### **11.1. Advertising Fund.**

(a) **Permitted Uses.** We or our designee shall have the right to establish, maintain and administer an advertising and marketing fund (hereinafter referred to as the “Advertising Fund”) for such national and regional advertising programs as we may deem necessary or appropriate, in our sole discretion. We will have sole discretion on how the Advertising Fund is utilized, including but not limited to the following: (i) maintaining, administering, directing and preparing national and/or regional advertising materials and programs (ii) public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials); (iii) brand development; and (iv) website development and search engine optimization.

(b) **Administration.** We will administer the Advertising Fund and it will be maintained in a non-interest bearing account that is separate from our general funds, and shall not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Advertising Fund and its advertising programs, which shall not exceed 20% of all contributions to the Advertising Fund. We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any marketing or promotional activities paid for by the Advertising Fund. Any monies remaining in the Advertising Fund at the end of any year will carry over to the next year. Although the Advertising Fund is intended to be of perpetual duration, we may terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising or promotional purposes or returned to contributing House of Colour businesses or those operated by us, without interest, on the pro-rated basis of their respective contributions.

(c) **Contributions.** Once the Advertising Fund has been established by us, by the 15<sup>th</sup> day of each month, you shall contribute up to two percent (2%) of your monthly Gross Revenues (“Advertising Fund Contribution”), which we will deposit into the Advertising Fund. We will deposit all Advertising Fund Contributions paid by you and other franchisees into the Advertising Fund, if established. Any company-owned House of Colour Business may, but is not required to, contribute to the Advertising Fund on the same basis as franchisees.

**11.2. Marketing Assistance From Us.** We will assist you in formulating your grand opening marketing activities. We may, but are not obligated to, create and make available to you advertising and other marketing materials for your purchase. We may use the Advertising Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as needed basis.

### **11.3. Your Marketing Activities.**

(a) **Generally.** You agree to participate at your own expense in all advertising, promotional and marketing programs that we require, including any advertising cooperative that we establish pursuant to Section 11.4. You also agree to comply with any gift card program that we establish.

(b) **Grand Opening.** Beginning on the date you complete training and during the first ten days of operation, you must spend between \$500 and \$2,500, which may include your own time, on advertising and other marketing activities to promote your House of Colour Business. We must approve

all such advertising in accordance with Section 11.3(d). We will provide you with our suggestions and recommendations for grand opening advertising.

(c) **Standards for Advertising.** You must order sales and marketing material from us or our designated suppliers.

(d) **Approval of Advertising.** It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. If you use unauthorized advertising materials, you must pay an unauthorized advertising fee of \$500 per occurrence to us, or if established, the Advertising Fund.

(e) **Internet and Websites.** We may allow you to market your House of Colour Business through social media sites with our permission only, and so long as you follow our online policies and procedures, which are contained in the Manual. Under our online policies and procedures, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. Accordingly, you may not maintain a website, conduct e-commerce, advertise online, or otherwise maintain a presence or advertise on the Internet or any social networking sites, crowdfunding campaigns or blogs, or through any other telephonic (including toll-free numbers) or digital or electronic method of communication in connection with your House of Colour Business, except as expressly permitted by us. Our online policies and procedures may change as technology and the Internet changes. We reserve the right to restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through the House of Colour Business website that we designate.

**11.4. Advertising Cooperative.** We have the right, but not the obligation, to create one or more advertising cooperatives (“Cooperatives”) for the purpose of creating and/or purchasing advertising programs for the benefit of all House of Colour Businesses operating within a particular region. Franchisees in each Cooperative will contribute an amount to the Cooperative for each House of Colour Franchise that the franchisee owns that exists within the Cooperative’s area, not to exceed one percent (1%) of monthly Gross Revenues. The Cooperative will be organized and operated according to the rules we prescribe. If we elect to form such Cooperatives, or if such Cooperatives already exist near your Territory, you will be required to participate in compliance with the provisions of the Manual, which we may periodically modify at our discretion.

## **12. OPERATING STANDARDS.**

**12.1. Generally.** You agree to operate your House of Colour Business in strict compliance with the provisions of this Franchise Agreement and the standards that we specify in writing, whether in the Manual or otherwise, and as periodically amended, modified, supplemented, or deleted, which we impose on our franchisees in connection with participation in the System, including all mandatory and suggested specifications, policies, rules, techniques, and procedures we promulgate about System operation usage (collectively, the “System Standards”).

**12.2. Manual.** You agree to establish and operate your House of Colour Business in accordance with the Manual and the System Standards. The Manual may contain our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your House

of Colour Business and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Manual or through other written communication (including electronic communication such as email or through a system-wide intranet). The modifications will become binding immediately after we send you notice of the modification. All mandatory provisions of the System Standards, including those that are contained in the Manual (whether they are included now or in the future) are binding upon you.

**12.3. Authorized Goods and Services.** You agree to offer all goods and services that we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services at your House of Colour Business without our prior written permission. If you wish to offer additional goods or services, we will inspect a new product, service, or proposed supplier nominated by you, and you shall pay us for the costs of that inspection. You may not use your House of Colour Business or permit your House of Colour Business to be used for any purpose other than offering the goods and services that we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the House of Colour Franchise or this Franchise Agreement.

**12.4. Suppliers and Purchasing.** If requested, you agree to purchase or lease all products, supplies, equipment, fixtures, furnishings, services and other items specified in the Manual that we require, and, as applicable, install such products, supplies, equipment, fixtures, furnishings, services at your own cost and expense and in conformance with the Manual and our specifications and requirements. If required by the Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliates). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of House of Colour Businesses, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we are able to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we may, but are not required to, deposit these amounts into the Advertising Fund. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. You must reimburse us for our costs related to the evaluation of any product or supplier that you wish to offer. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We are under no obligation to approve any request that you make and, if your request is not approved within 30 days, it shall be deemed denied. We may require that the supplier agree to certain commercially reasonable conditions as a condition to our approval, including maintaining adequate insurance and signing a license agreement with us for the supply of any products bearing our Marks. We reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications.

**12.5. Technology.** You will, at your expense, purchase and maintain any computer tablet, hardware and software, communication equipment, communication services, Internet services (including the requirement to maintain a high-speed Internet connection), dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment (collectively, "Computer System") that we may specify for use in the House of Colour Business. You will provide any assistance we require to connect your Computer System with our computer system. We will have the right at any time to retrieve data and other information from Computer System as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to your Computer System, at your cost. You will keep the Computer System in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications, or substitutions to your Computer System as we may specify periodically. You must use our designated payment vendors. We are not required to provide you

with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System. We reserve the right to charge you a technology fee to cover certain technologies used in the operation of your House of Colour Business. If imposed, this fee may be paid to us, our affiliates or to third-party suppliers (or a combination of the above). We reserve the right to: (i) upgrade, modify, and add new software, for which you will be responsible for any increase in fees that result from any upgrades, modifications, or additional software; (ii) change or add approved suppliers of these services at any time, in our sole discretion; (iii) enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology; (iv) create proprietary software or technology that must be used by House of Colour franchisees, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees; and (v) increase or decrease the technology fee and other technology and licensing and expenses that you are required to pay us or third-party suppliers under this Franchise Agreement.

**12.6. Customer Complaints.** You will use your best efforts to ensure customer satisfaction; use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use your best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take such actions as we deem necessary or appropriate to resolve customer disputes. If we, in our discretion, addresses a customer complaint by providing a gift card, refund, or other value to the customer to address the issue, you must reimburse us for reasonable costs in responding to the customer complaint.

**12.7. Performance Criteria.** You acknowledge and agree that commencing 18 months after the Effective Date, we will evaluate your House of Colour Business for the development of the Territory and active implementation of the System based on certain performance criteria ("Performance Criteria") set forth in our Manual, and impose a minimum annual Gross Revenue requirement of \$45,000 ("Minimum Gross Revenue Criteria"). Following your initial evaluation, we will evaluate your House of Colour Business annually on the anniversary of the Effective Date, or 24 months after the Effective Date. This evaluation is separate from the PEC assessments described in Section 5.3. If your House of Colour Business' performance under the Performance Criteria falls in the lowest ten percent (10%) of all franchised units operating under the System and the Marks in the state in which your Territory is located, and you have not achieved the Minimum Gross Revenue Requirement, we may elect to: (a) require you and such other of your employees, as determined by us, to attend and complete to our satisfaction such additional training programs deemed necessary by us; or (b) provide such on-site assistance and consultation as deemed necessary by us. If there are fewer than 10 House of Colour Franchises in the state in which your Territory is located, then your performance will be measured against all franchised units operating under the System and the Marks in the entire United States. In the event we provide any additional training, assistance or consultation, as described herein, you shall be responsible for all costs and expenses for such training assistance or consultation, which may include a fee payable to us or an affiliate. If, at the time of your next annual evaluation, (1) you have failed to improve your performance under the Performance Criteria by at least ten percent (10%), (2) your performance has continued to be in the lowest ten percent (10%) of all franchised units operating under the System and the Marks either in the state in which your Territory is located (or in the entire United States if there are fewer than 10 House of Colour Franchises in the state), and (3) you have not achieved the Minimum Gross Revenue Requirement, we may, in our sole discretion, eliminate the territorial protection granted in Section 3.1 or terminate this Franchise Agreement in accordance with Section 21. Upon renewal, the Minimum Gross Revenue Criteria will be adjusted for inflation by comparing the United States Consumer Price Index ("Price Index") for the year in which you renew your House of Colour Business to the Price Index for the year this Franchise Agreement was fully executed. Any adjustment to the Minimum Gross Revenue Criteria will not exceed the difference between the Price Index for the month which immediately precedes the date you renew this Franchise Agreement and the average monthly Price Index during the calendar year of the Effective Date of this Agreement. You

must follow System Standards at all times, including during the first 18 months of operations, and we may issue a default notice or terminate this Franchise Agreement for failure to do so, pursuant to the terms of this Franchise Agreement.

**12.8. National Accounts.** We reserve the right to establish and implement (through the Manual) policies and procedures for the servicing of “National Accounts,” which includes any customer: (i) that conducts its business for its own account or through agents, affiliates, independent contractors, or franchisees in two or more of our corporate or franchise territories; (ii) a regional or national chain with three or more locations, which customer or chain has contracted with us to obtain products and services for two or more of its locations from us, our affiliates and/or franchisees; or (iii) which owns, manages, controls, or otherwise has responsibility for businesses in more than one location and whose presence is not confined within any one particular franchisee’s territory. The policies and procedures contained in the Manual for the servicing of National Accounts may include eligibility criteria to participate in National Accounts programs, referral fees to franchisees, and maximum fees to be charged for specified services to a particular National Account. You must service all National Accounts we indicate; however, if you can demonstrate to our satisfaction in writing that servicing a particular National Account will result in a financial loss or cause an undue hardship on you, you will not be obligated to service that National Account and we shall have the right to service the National Account directly or indirectly (through another franchisee, licensee, or other designee), even if it is located in your Territory. Any dispute regarding whether a particular customer is a National Account will be determined by us, in our sole determination.

**13. FRANCHISEE ADVISORY COUNCIL.** We reserve the right to form a franchise advisory council (“Council”) to advise us on advertising and general business policies. If formed, the Council will operate according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the Council who will communicate with us on matters raised by the Council. The Council will serve in an advisory capacity only. We have the power to form, change or dissolve the council, in our sole discretion.

#### **14. FEES**

**14.1. Initial Franchise Fee.** You agree to pay us a nonrecurring and non-refundable initial franchise fee (“Initial Franchise Fee”) of \$19,500, payable in one lump sum at the time you sign this Franchise Agreement. The Initial Franchise Fee is in consideration of all of our pre-opening assistance, equipment and inventory that we provide to allow you to open your House of Colour Business and it offsets some of our expenses for franchisee recruitment. If we determine in our sole discretion during initial training that you will be unable to comply with our standards, we will terminate this Franchise Agreement, deduct our costs incurred in training you from the Initial Franchise Fee, and issue you a partial refund of the Initial Franchise Fee. Except as described in the preceding sentence, the Initial Franchise Fee is fully earned by us when received and is not refundable under any circumstances.

**14.2. Royalty.** You agree to pay us a monthly royalty fee (“Royalty”). The Royalty shall be equal to the greater of: (i) \$175 per month; or (ii) three percent (3%) of the Gross Revenues during the previous month. “Gross Revenues” means the total selling price of all services sold at, from, or through your House of Colour Business, whether or not sold or performed at or from the House of Colour Business, including the full redemption value of any gift certificate or coupon sold for use at the House of Colour Business (fees retained by or paid to third party sellers of such gift certificates or coupons are not excluded from this calculation), and all income, revenue and consideration of every other kind and nature related to the House of Colour Business operation, whether for cash or credit, and regardless of collection in the case of credit, excluding taxes, billed or charged to customers for the sale of products from all sources in connection with your House of Colour Business. Gross Revenues includes all proceeds from any business interruption insurance. This Royalty is an ongoing payment that allows you to use the Marks and the other

Intellectual Property (defined in Section 18.1) of the System and that pays for our ongoing support and assistance. Our current billing period is monthly, with payments due by the 15<sup>th</sup> of each month. We may change the billing period from time to time and/or due date. Any change to the billing period will apply to your Royalty as well as your Advertising Fund Contributions, all of which are due on the same day. Each year on January 1, the amount of the minimum monthly Royalty is subject to increase based on changes in the Price Index for the year in which you renew the Agreement as compared to the Price Index for the year this Franchise Agreement was fully executed. The first adjustment will be the difference between the Price Index for the month which immediately precedes the adjustment date and the average monthly Price Index during the calendar year when this Agreement was fully executed. Each annual adjustment thereafter will be the difference between the Price Index for the month which immediately precedes the adjustment date and Price Index for the prior year.

**14.3. Fashion Update Fee.** You agree to pay our then-current fee to purchase a fashion update digital document (“Fashion Update Digital Document”) in February and August of each year. The current cost of the Fashion Update Digital Document will not exceed \$100 per document (“Fashion Update Fee”). The Fashion Update Fee is uniformly imposed, fully earned by us once paid and is non-refundable.

**14.4. Other Fees and Payments.** You agree to pay all other fees, expense reimbursements and other amounts specified in this Franchise Agreement in a timely manner as if fully set forth in this Section 14.

**14.5. Late Fee.** If any sums due under this Franchise Agreement have not been received by us, or our affiliates when due, in addition to those sums, we may charge a late payment fee of \$100 per occurrence, plus the lesser of the daily equivalent of one and one-half percent (1.5%) per month simple interest or the highest rate allowed by law. Furthermore, if there are insufficient funds in your account to cover any sums owed to us when due, then you will also be required to pay a non-sufficient funds fee in the amount of the greater of \$100 per occurrence or the highest amount allowed by law.

**14.6. Method of Payment.** You are required to pay all fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other means approved by us. You must complete and send us an EFT authorization form allowing us to electronically debit a banking account that you designate for all fees payable to us pursuant to this Franchise Agreement. We will debit your account for these payments on or after the due date. Our current form of EFT authorization form is attached to the Franchise Disclosure Document in Exhibit G. You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your account for these amounts. You must ensure that your account has sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 14.4.

**14.7. Application of Payments.** We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

**14.8. Method and Frequency.** We have the right to periodically specify (in the Manual or otherwise in writing) different payees, payment frequencies and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card and payment by check.

**14.9. Payment Obligations.** Your obligations to pay us the fees under this Franchise Agreement are absolute and unconditional and will remain in full force and effect throughout the entire duration of this Franchise Agreement and shall continue for such period of time thereafter as you owe us fees under this Franchise Agreement. You will have no right to offset any fees paid to us and must pay us all fees regardless of any claims you may have against us. We will have the right, at any time before or after termination of

this Franchise Agreement, without notice to you, to offset any amounts or liabilities that you may owe to us against any amounts or liabilities that we may owe you under this Franchise Agreement or any other agreement, loan, transaction or relationship between the parties, including any amounts that you may claim for sales that you make through any stored value or gift card or similar program.

## **15. BRAND PROTECTION COVENANTS.**

**15.1. Reason for Covenants.** You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Franchise Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations, confidential information, and trade secrets related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise System.

**15.2. Our Confidential Information.** You and the Owners agree: (i) neither you nor any Owner will use any of our Confidential Information (defined in Section 18.1) in any business or capacity other than the operation of your House of Colour Business pursuant to this Franchise Agreement; (ii) you and the Owners will maintain the confidentiality of our Confidential Information at all times; (iii) neither you nor any Owner will make unauthorized copies of documents containing any of our Confidential Information; (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of our Confidential Information; and (v) you and the Owners will stop using our Confidential Information immediately upon the expiration, termination or Transfer of this Franchise Agreement, and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Franchise Agreement will stop using our Confidential Information immediately at the time he or she ceases to be an Owner.

### **15.3. Unfair Competition.**

(a) During the term of this Franchise Agreement, other than the House of Colour Business, you (and, if you are an entity, your owners, officers, and directors) and your managers will not: (i) engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with any business whose methods of operation, trade dress, or business concept is the same as or similar to that of the System or the Marks, or that offers personal stylist, image consultant, and color analysis and related services to the general public (each a “Competitive Business”), without our prior express written consent; or (ii) divert or attempt to divert any business or customer of us or any of our affiliates or franchisees to any Competitive Business.

(b) Upon our termination of this Franchise Agreement according to its terms and conditions, upon transfer of this Franchise Agreement, or upon expiration of this Franchise Agreement without renewal, you agree that, for one year beginning on the effective date of termination, the effective date of transfer, the expiration date or the date on which all persons restricted by this Section 15.3 begin to comply with this Section 15.3, you (and, if you are an entity, your owners, officers, and directors) and your managers will not: (i) engage in any Competitive Business located within the Territory or within 25 miles of your House of Colour Business, or within 25 miles of any other House of Colour Businesses that are then operating or under development; or (ii) divert or attempt to divert any business or customer of us or any of our affiliates or franchisees to any Competitive Business.

**15.4. Employees and Others Associated with You.** If you are an entity, any of your officers that do not own equity in you, must sign the System Protection Agreement. You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons

associated with you or your House of Colour Business who may have access to our Confidential Information, and who are not required to sign a System Protection Agreement, sign and send us a Confidentiality Agreement (the current form of which is attached to the Franchise Disclosure Document in Exhibit G) before having access to our Confidential Information. You must use your best efforts to ensure that these individuals comply with the terms of the System Protection Agreements and Confidentiality Agreements, as applicable, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a System Protection Agreement or Confidentiality Agreement, as applicable, including reasonable attorneys' fees and court costs.

**15.5. Covenants Reasonable.** You and the Owners acknowledge and agree that: (i) the terms of this Franchise Agreement are reasonable; (ii) our use and enforcement of covenants similar to those described above with respect to other House of Colour franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Franchise; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Franchise Agreement. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 15 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

**15.6. Breach of Covenants.** You explicitly affirm and recognize the unique value and secondary meaning attached to the System and the Marks. Accordingly, you agree that any non-compliance by you with the terms of this Franchise Agreement, or the Manual, or any unauthorized or improper use of the System or the Marks, will cause irreparable damage to us and other franchisees. You therefore agree that if you engage in this, or any non-compliance or unauthorized and/or improper use of the System or Marks, during or after the period of this Franchise Agreement, we will be entitled to both temporary and permanent injunctive relief, without the need of a bond, against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions.

## **16. YOUR OTHER RESPONSIBILITIES**

**16.1. Insurance.** You shall procure, at your sole expense, and maintain in full force and effect during the term of this Franchise Agreement, an insurance policy or policies protecting you, us, our respective officers, directors, partners and employees against any loss, liability, personal injury, death or property damage or expense whatsoever arising or occurring upon or in connection with the House of Colour Business, as we may reasonably require for our own and your protection. You shall ensure that we and our affiliates are named as additional insureds in such policy or policies (except for employment liability insurance policies).

Such policy or policies shall be written by an insurance carrier or carriers rated "A" or better in the latest issue of A.M. Best's Key Rating Guide and which are licensed in the state in which you operate in accordance with standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as different coverages and policy limits may reasonably be specified for all franchisees from time to time by us in the Manual or otherwise in writing), the following: (1) comprehensive general liability coverage, including products liability coverage, and liability coverage of owned and non-owned automobiles used for business purposes, under one or more policies of insurance containing minimum liability coverage of \$2,000,000 per occurrence for bodily injury and property damage, and multi-peril package, and umbrella coverage of an additional \$1,000,000, or minimum liability coverage of \$2,000,000 per occurrence with an annual aggregate of \$3,000,000; (2) business interruption for a period adequate to re-establish normal business operations; (3) workers' compensation and employer's liability insurance as well as any other insurance that may be required by statute or rule in the state in which your

House of Colour Business is located; and (4) any other insurance that we may require in the future or that may be required according to the terms of your Lease.

The amounts required herein may be modified from time to time by us to reflect inflation or future experience with claims. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by us. Within 60 days of the signing of this Franchise Agreement, but in no event later than 30 days prior to commencement of operations of the House of Colour Business, a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by you to us for approval. Such certificate shall state that said policy or policies shall not be canceled or altered without at least 30 days' prior written notice to us and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by you of the obligations under this Section 16 shall not relieve you of liability under the indemnity provision set forth in this Franchise Agreement. Minimum limits as required above may be modified from time to time by us, as conditions require, by written notice to you.

Should you, for any reason, not procure and maintain such insurance coverage as required by this Franchise Agreement, we shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance coverage and to charge same to you, as well as a twenty percent (20%) administration charge for our expenses and efforts in connection with such procurement, payable by you immediately upon notice.

**16.2. Books and Records.** You shall maintain during the term of this Franchise Agreement and shall preserve for at least five years from the dates of their preparation, full, complete, and accurate books, records, computer record backups and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time in the Manual or otherwise in writing. You must send us copies of your books and records within twenty-one days of our request and agree to utilize our accounting standards and standard reports to ensure consistency of information received from all of our franchisees.

**16.3. Reports.** You must prepare and provide us with periodic statements of your Gross Revenues and any other information we reasonably require using a standard report that we specify. You agree to submit the monthly report that we specify due by the 5<sup>th</sup> of each month. If you fail to submit this report, we may charge a late report fee of \$100 per day beginning on the day following the due date ("Late Report Fee"). You must continue to pay this fee until you have submitted the report. We (or our designee) have the right to independently access the electronic information and data relating to your House of Colour Business and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. If required, you agree to record all client contact information, colour and style details, and purchases in our online database. We will not use this data to contact clients directly without your prior permission during the modify.

**16.4. Financial Statements.** You shall, at your expense, provide to us an annual profit and loss statement and balance sheet, together with a review report prepared by an independent certified public accountant satisfactory to us, within 90 days after the end of each fiscal year of the House of Colour Business during the term hereof, showing the results of operations of the House of Colour Business for that fiscal year. If you operate as a sole proprietor and do not produce financial statements, you must provide us your annual tax return that you provide to the IRS for your House of Colour Business.

**16.5. Legal Compliance.** You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your House of Colour Business and operate and manage your

House of Colour Business in full compliance with all applicable laws, ordinances, rules and regulations. You understand that federal and state laws may regulate you and your House of Colour Business and you agree to comply with all such laws. You must withhold and pay all applicable federal and state taxes, social security taxes and sales, use and service taxes. Certain states tax services differently. Some states do not tax services at all while some make a distinction between commercial and residential jobs. It is your responsibility to review your state's tax policy to ensure compliance. You must in all dealings with its clients, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other House of Colour Businesses. We recommend you hire local counsel to review these laws to ensure the operation of your House of Colour Business, and your performance of your obligations under this Franchise Agreement, comply with such laws. You must notify us in writing within two business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your House of Colour Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency that reflects your failure to fully comply with any applicable law, rule or regulation.

## **17. INSPECTION AND AUDIT**

**17.1. Inspections.** To ensure compliance with this Franchise Agreement, we or our representatives will have the right to evaluate your operations and inspect and examine your books, records, accounts and tax returns. Our evaluation may include monitoring your interactions with and provision of services to customers and contacting your customers and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your House of Colour Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information relating to your House of Colour Business that we deem appropriate in conducting the inspection, except as prohibited by law.

**17.2. Audit.** We have the right, at any time, to have an independent audit made of your books and financial records, subject to any restrictions imposed by applicable law. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Gross Revenues or any amount that you owe us, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 14.4. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Franchise Agreement; or (ii) reveals an understatement of any amount due to us by more than three percent (3%), in which case you agree to reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and any travel, meals and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due five days after invoicing. We shall not be deemed to have waived our right to terminate this Franchise Agreement by accepting reimbursements of our audit costs.

## **18. INTELLECTUAL PROPERTY & CONFIDENTIAL INFORMATION**

**18.1. Ownership and Use of Intellectual Property.** We possess certain non-public trade secrets, proprietary information, technical data, or know-how that relate to our business, System, services, or items, or to a House of Colour Business, including the Manual, copyrights, trade secrets, quality-control systems, training materials, (collectively, "Confidential Information") that we will provide to you. Throughout the term of this Franchise Agreement, we will provide you with certain access to or the use of our Confidential Information, the Marks, our copyrights, and the System (collectively, "Intellectual

Property”). You acknowledge that: (i) we and our affiliates own and/or hold legal rights to the Intellectual property and the goodwill associated with the Intellectual Property; (ii) your right to use the Intellectual Property is derived solely from this Franchise Agreement; and (iii) your non-exclusive right to use the Intellectual Property is limited to a license granted by us to operate your House of Colour Business during the Term pursuant to, and only in compliance with, this Franchise Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of our Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Franchise Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

**18.2. Changes to Intellectual Property.** We have the right to modify the Intellectual Property at any time in our sole discretion, including by changing the Marks, the System, our copyrights or our Confidential Information. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within a reasonable time after receiving notice (not to exceed 30 days from the date of notice). If we require you to change the Marks, we will have no obligation to reimburse you for your expenses of compliance, such as changing signage, brochures, stationary, etc. Moreover, we will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

**18.3. Use of Marks.** You agree to use the Marks as the sole identification of your House of Colour Business; provided, however that you must identify yourself as the independent owner of your House of Colour Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Franchise Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

**18.4. Use of Confidential Information.** We will disclose certain Confidential Information to you in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Confidential Information other than the right to utilize it in strict accordance with the terms of this Franchise Agreement in the development and operation of your House of Colour Business. You acknowledge that our Confidential Information is proprietary and is disclosed to you solely for use in the development and operation of your House of Colour Business during the Term.

Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order.

**18.5. Improvements.** If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a House of Colour Business, or any advertising or promotional ideas related to such business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a House of Colour franchise, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a House of Colour Business.

**18.6. Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement of or challenge to your use of any Mark, or of any person’s claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge or claim. We may take the action we deem appropriate (including no action) and may control exclusively any settlement, litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. You agree to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

**19. INDEMNITY.** You shall, during the Term and any successor terms and after the termination or expiration of this Franchise Agreement, indemnify and defend us, our affiliates, parents, subsidiaries or related companies, divisions and partnerships, and their respective past and present stockholders, partners, directors, officers, employees, agents, attorneys and assignees, and the spouses of such individuals (“Indemnified Parties”) for, and hold the Indemnified Parties harmless against, any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses), including the following: (i) the use or operation of our House of Colour Business; (ii) a breach of this Franchise Agreement, or any other agreement between the parties; (iii) any injury to, or loss of property used by you to operate your House of Colour Business; (iv) your taxes, liabilities, costs or expenses of your House of Colour Business; (v) any negligent or willful act or omission of you, your officers, directors, managers, members, partners, employees, agents, servants, contractors or others for whom you are, in law, responsible; (vi) any violation of any federal, state or local law, ordinance or regulation imposing requirements or prohibitions on you in the operation of your House of Colour Business; (vii) any advertising or promotional material distributed, broadcasted or in any way disseminated by you, or on your behalf unless such material has been produced, or approved in writing, by us; (viii) any loss of data including, but not limited to customer information, resulting from a breach of such data caused in whole or in part by you or your negligence; (ix) your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding or ruling that we are an employer or joint employer of your employees; (x) your failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; (xi) any fees, costs, or liabilities incurred by us on your behalf, including fees and costs incurred by us to recover amounts due to you on your behalf; or (xii) any action by us to obtain performance by you of any act, matter, or thing required by the Franchise Agreement.

We agree to indemnify you against, and reimburse you for, all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Franchise Agreement, and for all costs you reasonably incur in the defense of any

such claim in which you are named as a party, so long as you have timely notified us of the claim, have not altered the Mark, and have otherwise complied with this Franchise Agreement.

We and any other party which is indemnified by this Section 19 has the right to defend any claim brought under this Section 19 and such defense shall not be considered a waiver of the party's rights to indemnification under this Section 19.

## 20. TRANSFERS

**20.1. By Us.** You acknowledge that our obligations under this Franchise Agreement are not personal. We shall have the absolute right, in our sole discretion and at any time, to unconditionally transfer or assign this Franchise Agreement or any of our rights or obligations under this Franchise Agreement to any person, corporation or other party. We reserve the right to assign the franchise System to anyone, including the operator of a competing national or regional chain or franchise system. You acknowledge and agree that we may sell our assets, the Marks or the System to any third party of our choice; may offer our securities privately or publicly; may merge with or acquire other business entities or be acquired by another business entity; may permit and participate in any transfer or distribution of our securities in connection with a spin-off; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without your consent and, provided the transferee expressly assumes and undertakes to perform our obligations in all material respects, do so free of any responsibility or liability whatsoever to you after the transaction occurs.

**20.2. By You.** You understand that the rights and duties created by this Franchise Agreement are personal to you and the Owners and we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner nor any immediate or remote successor to any part of your interest in this Franchise Agreement, nor any individual or legal entity that directly or indirectly owns any interest in you will sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Franchise Agreement, or in you, or in all or substantially all of the assets of the House of Colour Business (collectively, a "Transfer") without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Franchise Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a House of Colour Business and otherwise meets all of our then applicable standards for franchisees;
- (ii) you and your Owners are in full compliance with the terms of this Franchise Agreement and all other agreements with us or our affiliate;
- (iii) all of the owners of the transferee have sufficient business experience and financial resources and have successfully completed, or made arrangements to attend, the initial training program;
- (iv) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the House of Colour Business;
- (v) the transferee and its owners sign our then-current form of franchise agreement and ancillary documents, including Owner's Agreement (unless we, in our sole discretion, instruct you to assign this Franchise Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be

the Term and renewal term(s) remaining under this Franchise Agreement; and (b) the transferee need not pay a separate initial franchise fee;

(vi) you pay us a \$250 non-refundable deposit at the time that you submit a transfer application and pay the remainder of the transfer fee (which is equal to \$500) at the time we approve the transfer;

(vii) you and your Owners sign a general release for all claims arising before or contemporaneously with the Transfer;

(viii) we decline to exercise our right of first refusal described in Section 20.4;

(ix) you will reimburse us upon receipt of our invoice for any broker or other placement fees we incur as a result of the transfer; and

(x) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

**20.3. Death or Disability of an Owner.** If you are an individual, upon your death or permanent disability or, if you are an entity, upon the death or permanent disability of an Owner, the executor, administrator, conservator or other personal representative shall transfer the interest in this Franchise Agreement or the ownership interest within a reasonable time, not to exceed 180 days from the date of death or permanent disability, to a third party approved by us. An assignment under this Section including, without limitation, transfer by devise or inheritance, will be subject to all of the terms and conditions contained in Section 20.2 of this Franchise Agreement, and unless transferred by gift, devise or inheritance, subject to our right of first refusal in Section 20.4 of this Franchise Agreement. Failure to dispose of such interest within the specified period of time will constitute a breach of this Franchise Agreement. For purposes of this Section, the term “permanent disability” will mean a mental or physical disability, impairment or condition that is reasonably expected to prevent, or actually does prevent, Franchisee or an Owner entity from supervising the operation of the House of Colour Business for a period of at least three months from the onset of such disability, impairment or condition.

**20.4. Our Right of First Refusal.** Any individual or entity holding any direct or indirect interest in this Franchise Agreement or in a substantial portion of the assets of the House of Colour Business or in you (if you are an entity) and who desires to accept any bona fide offer from a third party to purchase the relevant interest or assets must notify us in writing of each offer, and must provide the information and documentation relating to the offer as we may require. We have the right and option, exercisable within 60 days after receipt of this written notification, to send written notice to the seller that we or our designee intend to purchase the seller’s interest on the same terms and conditions offered by the third party. If we or our designee elect to purchase the seller’s interest, closing of the purchase will occur within 60 days from the date of notice to the seller of the election to purchase by us or our designee. If we decline to purchase the seller’s interest, the seller will have 90 days from the date it gives written notice to us of its purchase offer to sell its interest on the same terms and conditions and to the same transferee as described to us in the written notice. Any material change thereafter in the terms of the offer from a third party will constitute a new offer that will be subject to our right of first refusal under this Franchise Agreement. Our failure to exercise the option afforded by this Section will not constitute a waiver of any other provision of this Franchise Agreement. If the consideration, terms or conditions offered by a third party are of the type that

we or our designee may not reasonably be able to furnish the same consideration, terms or conditions, then we or our designee may purchase the relevant interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration terms or conditions offered by the third party, then each party will select an independent appraiser. The two appraisers will then have up to 15 business days to agree on a reasonable equivalent in cash. If they cannot agree during that period, then the reasonable equivalent in cash will be the average of the two appraisals. Our right of first refusal is fully assignable by us. If we fail or refuse to exercise our option and the House of Colour Business is not subsequently sold to the proposed purchaser for any reason, we shall continue to have, upon the same conditions, a first option to purchase the House of Colour Business upon the terms and conditions of any subsequent offer.

## **21. TERMINATION**

**21.1. By You.** You may terminate this Franchise Agreement if we materially breach this Franchise Agreement and fail to cure the breach within 30 days after you send us a written notice specifying the nature of the breach. If you terminate this Franchise Agreement, you must still comply with your post-termination obligations described in Section 22 and all other obligations that survive the expiration or termination of this Franchise Agreement.

**21.2. Termination by Us Without Cure Period.** We may, in our sole discretion, terminate this Franchise Agreement effective immediately upon delivery of notice of termination to you, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Franchise Agreement:

(i) if an Owner fails to satisfactorily complete the initial training program in the manner required by Section 5.1;

(ii) if you fail to open your House of Colour within the time period required by Section 7.1;

(iii) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

(iv) if your House of Colour Business, or a substantial portion of the assets associated with your House of Colour Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you of at least \$5,000 remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Franchise Agreement or upon any property used in your House of Colour Business, and it is not discharged within five days of the levy;

(v) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the House of Colour Business, even if you or the Owner still maintain appeal rights;

(vi) if you or an Owner: (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime; or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material federal, state or local law or regulation applicable to your House of Colour Business;

(vii) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;

(viii) if you manage or operate your House of Colour Business in a manner that presents a health or safety hazard to your customers, employees or the public;

(ix) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the franchise, including any intentional underreporting Gross Revenues;

(x) if you inadvertently underreport any amount owed to us by at least three percent (3%), after having already committed a similar breach that had been cured in accordance with Section 21.3;

(xi) if you make an unauthorized Transfer;

(xii) if you use or disclose any of the Intellectual Property without our permission or in a manner other than as authorized by the System Standards;

(xiii) if you breach any of the brand protection covenants described in Section 15;

(xiv) if any Owner breaches the Owner's Agreement;

(xv) if you fail to meet the minimum performance criteria and minimum gross revenue criteria set forth in Section 12.7;

(xvi) if you commit three or more defaults during the Term, regardless of whether such defaults were cured; or

(xvii) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

**21.3. Additional Conditions of Termination.** In addition to our termination rights in Section 21.2, we may, in our sole discretion, terminate this Franchise Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Franchise Agreement (including any mandatory provision in the Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 21.3, we may suspend performance of any of our obligations under this Franchise Agreement until you fully cure the breach.

**21.4. Mutual Agreement to Terminate.** If you and we mutually agree in writing to terminate this Franchise Agreement, you and we will be deemed to have waived any required notice period.

**21.5. Professional Fees.** You must reimburse us for any and all legal or accounting fees that we incur as a result of any breach or termination of this Franchise Agreement. If we are required to incur any expenses in enforcing our rights against you under this Franchise Agreement you must reimburse all costs.

## **22. POST-TERM OBLIGATIONS & DISPUTE RESOLUTION.**

**22.1. Obligations of You and the Owners.** After the termination, expiration or Transfer of this Franchise Agreement, you and the Owners agree to:

(i) immediately cease to use the Intellectual Property;

- (ii) pay us all amounts that you owe us;
- (iii) comply with all covenants described in Sections 15 and 22 that apply after the expiration, termination or Transfer of this Franchise Agreement or the disposal of an ownership interest by an Owner;
- (iv) return all copies of the Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, our copyrights or other identification relating to a House of Colour Business, unless we allow you to transfer such items to an approved transferee;
- (v) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (vi) provide us with a list of all of your current, former and prospective customers, unless prohibited by applicable law;
- (vii) upon our request, assign all customer contracts and related information to us (unless we allow you to transfer these items to an approved transferee) except to the extent prohibited by applicable law;
- (viii) if you elect to operate the House of Colour Business from a Premises with our permission, to make such modifications and alterations to any Premises used by the House of Colour Business that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the Premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire House of Colour Business;
- (ix) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your House of Colour Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so);
- (x) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Franchise Agreement; and
- (xi) pay to you any commission payable, as described in Section 6.5, owed up to the end of the month prior to the date of termination or expiration of this Franchise Agreement subject to our right to set off the commission payable against any sums owed to us under this Franchise Agreement.

## **22.2. Right to Purchase Assets.**

Within 60 days after the termination or expiration of this Franchise Agreement, we shall have the right, but not the obligation, to notify you of our intent to purchase your House of Colour Business and/or its assets at fair market value as determined by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the day immediately after the effective date of the termination or expiration. We will notify you of the specific items that we wish to purchase.

### **22.3. Dispute Resolution.**

(a) Mediation. All claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of the parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to non-binding mediation prior to a filing a legal action. Such mediation shall take place in the principal city closest to our agent for service of process in the United States (currently Virginia Beach, Virginia) under the auspices of the Judicial Arbitration and Mediation Service ("JAMS"), in accordance with JAMS' Commercial Mediation Rules then in effect. You may not commence any action against us or our affiliates with respect to any such claim or dispute in any court unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by JAMS and the mediator's fees. We reserve the right to specifically enforce our right to mediation. Prior to mediation, and before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies in detail, the precise nature and grounds of such claim or dispute. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever.

(b) Arbitration. Except for controversies or claims subject to Section 22.3(c) or except as otherwise precluded by applicable law, if the parties are unable to resolve the dispute through mediation (as outlined in Section 22.3(a) above), the parties will be subject to arbitration. The controversy or claim shall be submitted to binding arbitration conducted before and in accordance with JAMS' Commercial Arbitration Rules, by one neutral arbitrator selected by the parties who is familiar with legal disputes of the type at issue and who has franchise business or contract experience. Judgment upon any award rendered may be entered in any court having jurisdiction thereof, and, except to the extent prohibited by applicable law, (a) the arbitration proceedings shall be held in the principal city closest to our agent for service of process in the United States (currently Virginia Beach, Virginia); (b) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of you and us, and not in any representative capacity, and shall not be consolidated with claims asserted by or against any other franchisee; (c) the parties waive to the fullest extent permitted by law, and the arbitrator shall have no power or authority to grant punitive, exemplary, treble or other forms of multiple or consequential damages as part of its award; and (d) in any arbitration proceeding hereunder, each party shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Notwithstanding anything to the contrary herein, if any court or arbitrator determines that all or any part of this Section 22.3(b) is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this section, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with this Franchise Agreement (excluding this Section 22.3(b)). In no event may the material provisions of this Franchise Agreement including, but not limited to the method of operation, authorized product or service sold or monetary obligations specified in this Franchise Agreement, amendments to this Franchise Agreement or in the Manual be modified or changed by the arbitrator at any arbitration hearing. The arbitrator may not consider any settlement discussions or offers that may have been made by the parties. The substantive law applied in such arbitration shall be as provided in Section 24.1 below. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The parties shall initially share equally the arbitrator's fees and costs. If either party fails to timely pay its share of the fees and costs, the arbitrator shall enter a default against the non-paying party on the claims and defenses in the matter, provided, that we reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived

or relinquished our right to seek the recovery of those costs in accordance with this Section 22.3(b). The arbitral decision, whether by default or after hearing, shall be binding and conclusive on the parties. The prevailing party shall be entitled to an award against the non-prevailing party reimbursing the arbitrator's fees and costs it advanced and for payment of attorneys' fees and costs. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*), notwithstanding any provision of this Franchise Agreement specifying the state law under which this Franchise Agreement shall be governed and construed. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable. The parties acknowledge that nothing herein shall delay or otherwise limit our rights and remedies under Section 21 of this Franchise Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Franchise Agreement. Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire arbitration proceedings and related documents are confidential.

(c) Injunctive Relief. Notwithstanding the foregoing, we shall not be required to first attempt to mediate or arbitrate a controversy, dispute or claim against you as set forth in this Section 22.3, if such controversy, dispute or claim concerns an allegation by us that you have violated (or threaten to violate, or pose an imminent risk of violating): (a) any of our federally protected intellectual property rights in the Marks, the System, or in any of our Intellectual Property; (b) any claims pertaining to the use or protection of our Confidential Information; (c) any claims pertaining to or arising out of any warranty issued; (d) any of the restrictive covenants contained in this Franchise Agreement; (e) our right to indemnification; or (f) any of the post-termination obligations under this Franchise Agreement; and you acknowledge that breach of any of these restrictions and obligations would result in irreparable injury to us, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, we shall be entitled to seek injunctive relief without the posting of bond (whether a restraining order, a preliminary injunction, or a permanent injunction) against any such breach, whether actual or contemplated. Our right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23. Our rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

(d) Consent to Jurisdiction. Any action brought by either party, except those claims required to be submitted to mediation and arbitration, shall be brought in the appropriate state or federal court situated where our agent for service of process in the United States is located (currently Virginia Beach, Virginia); provided that, for claims of injunctive relief subject to Section 22.3(c), we have the option to bring suit against you in any other state or federal court within the jurisdiction where your House of Colour Business is or was located or where any of your owners lives. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

(e) Limitation of Damages; Fees and Costs. If the parties are required to enforce this Franchise Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding. The parties each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees. You waive and disclaim any right to consequential damages in any action or claim against us concerning this Franchise Agreement or any related agreement. In any claim or action brought by you against us

concerning this Franchise Agreement, your contract damages shall not exceed and shall be limited to refund of your Initial Franchise Fee and Royalties.

(f) **LIMITATION OF CLAIMS.** UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 15 OR SECTION 18) MUST BE BROUGHT BY FILING A WRITTEN NOTICE FOR MEDIATION (OR IF PERMITTED, ARBITRATION OR LITIGATION) WITHIN ONE YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

23. **YOUR REPRESENTATIONS.** YOU HEREBY REPRESENT THAT: (i) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS FRANCHISE AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (iii) YOU RECEIVED: (1) AN EXACT COPY OF THIS FRANCHISE AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS FRANCHISE AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND (v) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

## 24. GENERAL PROVISIONS

24.1. **Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Franchise Agreement and the franchise relationship shall be governed by the laws of the state in which your House of Colour Business is located (without reference to its principles of conflicts of law). The Federal Arbitration Act will govern all matters subject to arbitration.

24.2. **Relationship of the Parties.** You understand and agree that nothing in this Franchise Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for

any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your House of Colour Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Franchise Agreement.

**24.3. Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied upon you or the Franchise, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

**24.4. Severability and Substitution.** Each section, subsection, term and provision of this Franchise Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Franchise Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Franchise Agreement. If a court concludes that any promise or covenant in this Franchise Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

**24.5. Waivers.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Franchise Agreement (including the right to demand exact compliance with every term, condition and covenant in this Franchise Agreement or to declare any breach of this Franchise Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Franchise Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Franchise Agreement or to insist upon exact compliance by the other with its obligations under this Franchise Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other House of Colour franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Franchise Agreement.

**24.6. Approvals.** Whenever this Franchise Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Franchise Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

**24.7. Force Majeure.** No party shall be liable for any delay in the fulfilment of or failure to fulfil its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise Agreement where the delay or failure is solely due to Force Majeure, as described below. In the event of Force Majeure, the parties' obligations shall be extended or relieved only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such

Force Majeure. As used in this Franchise Agreement, the term “Force Majeure” shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), terrorist event, riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party’s control and cannot be overcome by use of normal commercial measures. Force Majeure should be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the Force Majeure event. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than 48 hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of the Agreement and to fulfill its obligations under the Franchise Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Franchise Agreement by 30 days’ written notice to the party asserting such Force Majeure. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the Force Majeure event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect Franchisee’s obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

**24.8. Binding Effect.** This Franchise Agreement is binding upon the parties to this Franchise Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the additional insureds listed in Section 16 and the Indemnified Parties are intended third party beneficiaries under this Franchise Agreement with respect to Section 19.

**24.9. Integration.** THIS FRANCHISE AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 12.1 BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Franchise Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Franchise Agreement. The attachment(s) are part of this Franchise Agreement, which, together with any amendments or addenda to this Franchise Agreement executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Franchise Agreement. As referenced above, all mandatory provisions of the Manual are part of this Franchise Agreement. Any representations not specifically contained in this Franchise Agreement made before entering into this Franchise Agreement do not survive after the signing of this Franchise Agreement. This provision is intended to define the nature and extent of the parties’ mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Franchise Agreement, would affect the economic terms of this bargain. Nothing in this Franchise Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

**24.10. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, the parties agree that the covenant shall not imply any rights or

obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Franchise Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

**24.11. Rights of Parties are Cumulative.** The rights of the parties under this Franchise Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Franchise Agreement will preclude any other right or remedy available under this Franchise Agreement or by law.

**24.12. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Franchise Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 14, Section 15, Section 19 and Section 22.

**24.13. Construction.** The headings in this Franchise Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Franchise Agreement unless otherwise specified. All references to days in this Franchise Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Franchise Agreement is applicable to one or more persons or entities, and the singular usage includes the plural, the masculine, and neuter usages include the other and the feminine and the possessive.

**24.14. Time of Essence.** Time is of the essence in this Franchise Agreement and every term thereof.

**24.15. Counterparts.** This Franchise Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

**24.16. Notice.** All notices given under this Franchise Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first-class mail, to the following addresses (which may be changed upon ten business days’ prior written notice):

YOU:	As set forth in <u>Attachment A</u>
US:	House of Colour USA, Inc. 7 Bell Yard London, WC2A 2JR United Kingdom

Notice shall be considered given at the time delivered by hand, or one business day after sending by fax, email or comparable electronic system, or three business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

*(Signature page follows)*

The parties to this Franchise Agreement have executed this Franchise Agreement effective as of the Effective Date first above written.

**FRANCHISOR:**

**HOUSE OF COLOUR USA, INC.,**  
a Virginia corporation

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

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

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

**YOU:**

\_\_\_\_\_,  
a(n) \_\_\_\_\_

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

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

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

**YOU:**

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

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

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

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

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

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

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

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

**ATTACHMENT A TO FRANCHISE AGREEMENT**

**FRANCHISE DATA SHEET**

1. **Effective Date.** The “Effective Date” set forth in the introductory Paragraph of the Franchise Agreement is: \_\_\_\_\_, 20\_\_.

2. **Franchisee.** The Franchisee set forth in the introductory Paragraph of the Franchise Agreement is:  
\_\_\_\_\_

3. **Address for Notices.** Your address for all notices under Section 24.16 of the Franchise Agreement is:

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

4. **Territory.** The Territory set forth in Section 3 of the Franchise Agreement will be the area as shown on the map or described below:

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

*(Signature page follows)*

**FRANCHISOR:**

**HOUSE OF COLOUR USA, INC.,**  
a Virginia corporation

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

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

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

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

**YOU:**

\_\_\_\_\_  
a(n) \_\_\_\_\_

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

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

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

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

**YOU:**

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

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

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

**ATTACHMENT B TO FRANCHISE AGREEMENT**  
**OWNERSHIP INTERESTS IN FRANCHISEE**

Franchisee: \_\_\_\_\_

**Form of Ownership  
(Check One)**

Individual     Partnership     Corporation     Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: \_\_\_\_\_

**Management (managers, officers, board of directors, etc.):**

Name	Title

**Members, Stockholders, Partners\*:**

Name	Address	Percentage Owned

**\*If any members, stockholders, or partners are entities, please list the owners of such entities up through the individuals.**

**Identification of Operating Principal.** Your Operating Principal as of the Effective Date is \_\_\_\_\_  
\_\_\_\_\_. You may not change the Operating Principal without prior written approval.

*(Signature Page Follows)*

**YOU:**

\_\_\_\_\_  
a(n) \_\_\_\_\_

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

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

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

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

**YOU:**

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

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

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

## ATTACHMENT C TO FRANCHISE AGREEMENT

### OWNERS AGREEMENT

As a condition to the execution by House of Colour USA, Inc. (“we” or “us”) of a Franchise Agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

#### 1. Acknowledgments.

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_, 20\_\_ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners of all of the direct and indirect equity interest, membership interest, or other entity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives, and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

#### 2. Non-Disclosure and Protection of Confidential Information.

2.1 Confidentiality. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

2.2 Immediate Family Members. Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

### **3. Covenant Not to Compete.**

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

### **4. Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend, and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

**5. Transfers.** Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources, and personal character. Accordingly, Owners agree: (a) not to sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment; and (b) that any attempt to do so will be a material breach of this Owners Agreement and the Franchise Agreement.

**6. Notices.**

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

House of Colour USA, Inc.  
7 Bell Yard  
London, WC2A 2JR  
United Kingdom

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

**7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any non-compliance, we will be entitled to temporary,

preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full, and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings, or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions, or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change, or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property, or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors, and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors, and (permitted) assigns.

8.6 Successors. References to "Franchisor" or "the undersigned," or "you" include the respective parties' heirs, successors, assigns, or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

**IN WITNESS WHEREOF**, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNERS:**

\_\_\_\_\_  
[Insert Name and Address of Owner]

House of Colour USA, Inc. hereby accepts the agreements of the Owner(s) hereunder.

**HOUSE OF COLOUR USA, INC.**

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

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



**EXHIBIT D**

**LIST OF CURRENT AND FORMER FRANCHISEES**

## Current Franchisees as of April 30, 2021:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Williams	Sarah	Colors by Sarah Williams LLC	21406 N 24 <sup>th</sup> Place	Phoenix	AZ	85024	480-415-6181	Sarah.williams@houseofcolour.com
Wilke	Anne	N/A	5 High Bluff	Laguna Niguel	CA	92677	949-632-0924	Anne.Wilkie@houseofcolour.com
Damata	Heidi	Joyfully Adorned LLC	4111 Moore Street	Los Angeles	CA	90066	414-760-5812	Heidi.Damata@houseofcolour.com
Hall	Louise	N/A	5711 Skylark Place	La Jolla	CA	92037	619-745-5435	Louise.Hall@houseofcolour.com
Shatoff	Alise	N/A	3037 Eagle St.	San Diego	CA	92103	619-261-2106	Alise.shatoff@houseofcolour.com
Hope	Heather	5280 Elevated Brands LLC	2833 Central Park Bl.	Denver	CO	80238	720-400-1200	Heather.Hope@houseofcolour.com
Byman	Annette	N/A	13747 Magnolia Lake Ct	Fort Myers	FL	33907	402-201-4219	Annette.byman@houseofcolour.com
Taylor	Barbara	N/A	6115 Paddock Lane	Cumming	GA	30040	404-401-3496	Barbara.taylor@houseofcolour.com
King	Molly	King Capital Ventures LLC	800 Rook Rd	Ochlocknee	GA	31773	217-412-1560	Molly.king@houseofcolour.com
Ulysse	Kareen	N/A	PO Box 4257	Suwanee	GA	30024	678-466-7924	Kareen.ulysse@houseofcolour.com
Soria	Beth	Beth Soria Consulting LLC	641 W Willow St Unit 105	Chicago	IL	60614	310-251-7791	Beth.soria@houseofcolour.com
Harcar	Laura	N/A	2925 Greenwood Acres Dr	Dekalb	IL	60115	815-757-6949	Laura.harcar@houseofcolour.com
Lynn	Ashley	Ashley Lynn Consulting LLC	1051 Seneca Rd	Wilmette	IL	60091	312-533-1611	Ashley.lynn@houseofcolour.com
Jensen	Kim	Kim Jensen HOC LLC	600 Timber Creek Drive	Ames	IA	50010	515-291-9348	Kim.Jensen@houseofcolour.com
Gordon	Micah	MMG Design LLC	4811 Spring Circle	Council Bluffs	IA	51503	402-889-3875	Micah.gordon@houseofcolour.com
Mart	Jade	Jade Marie Co LLC	565 Clarke Dr	Dubuque	IA	52001	402-490-7977	Jade.mart@houseofcolour.com
Van Iten*	Allison	Ally Van Iten LLC	6010 Weybridge Court	Johnston	IA	50131	919-559-4891	Ally.vaniten@houseofcolour.com
Vogel	Debora	N/A	730 Riverside Dr.	Rock Valley	IA	51247	712-470-4455	Debora.vogel@houseofcolour.com
Wordekemper	Sara	Sara Wordekemper HOC LLC	227 S Main St	Templeton	IA	51463	402-380-4980	Sara.wordekemper@houseofcolour.com
Hagedorn	Claire	CB Style LLC	264 West Goldfinch Drive	Tiffin	IA	52340	515-537-0672	Claire.hagdorn@houseofcolour.com
Davis <sup>(1)</sup>	Linda	N/A	2645 W.139 <sup>th</sup> Terr	Leawood	KS	66224	913-689-8501	Linda.Davis@houseofcolour.com
Hauck	Meredith	Focus + Flow LLC	1413 Mohawk	Royal Oak	KS	48067	816-739-3676	Meredith.hauck@houseofcolour.com
Tinker	Meghan	Tinker Style LLC	9309 Felsmere Circle	Louisville	KY	40241	502-439-6347	Meghan.tinker@houseofcolour.com
Petitto	Kelly	Kelly Petitto Style LLC	5182 Thames Ct.	Jackson	MI	49201	517-206-6223	Kelly.petitto@houseofcolour.com
Jones	Katie	Katie Jones LLC	8040 Territorial Rd	Watervliet	MI	49098	269-208-6509	Katie.jones@houseofcolour.com
Trobak	Tori	N/A	15 South First St. A1115	Minneapolis	MN	55401	612-865-8015	Tori.trobak@houseofcolour.com
Tenney	Katie	N/A	5823 Bellham Ave.	Minnetonka	MN	55345	612-306-1580	Katie.pretzel@houseofcolour.com

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Ray	Marissa	Merrier Consulting LLC	3253 Edgewood Avenue South	St Louis Park	MN	55426	952-738-2281	Marissa.Ray@houseofcolour.com
Nesbitt	Georgia	N/A	729 Sherwood Ave.	St. Paul	MN	55106	601-941-2246	Georgia.nesbitt@houseofcolour.com
Lustig	Jillian	Jillian Lustig LLC	4419 Aldrich Ave. South	Minneapolis	MN	55419	310-994-9888	Jillian.lustig@houseofcolour.com
McCall	Kalsey	Kalsey McCall LLC	8125 24 <sup>th</sup> St.	Bethany	MO	64424	816-863-3155	Kalsey.mccall@houseofcolour.com
Frantz	Laura	Frantz Consulting LLC	7935 Nob Hill Rd	Lincoln	NE	68516	4025709000	Laura.frantz@houseofcolour.com
Myers	Tina	N/A	1201 Crown Rd	Norfolk	NE	68701	402-741-2244	Tina.Myers@houseofcolour.com
Blanc	Karen	N/A	315N Thomas Avenue	Oakland	NE	68045	4023804529	Karen.Blanc@houseofcolour.com
Dworak	Ashley	N/A	6643 Michael Circle	Papillon	NE	68133	402-676-0650	Ashley.Dworak@houseofcolour.com
Blanc <sup>(2)</sup>	Karen	N/A	315N Thomas Avenue	Oakland	NE	68045	402-380-4529	Karen.blanc@houseofcolour.com
Rowen	Teresa	N/A	1017 Meadow Road NE	Omaha	NE	68154	515-911-8665	Teresa.rowen@houseofcolour.com
Zauha	Darcie	DZ Images LLC	5504 N165th Street	Omaha	NE	68116	4026721122	Darcie.Zauha@houseofcolour.com
Peterson	Blair	N/A	12250 Dove Hill Road	Riverdale	NE	68870	308-830-0921	Blair.Peterson@houseofcolour.com
Williams	Roz	Color and Style Charlotte LLC	11177 Cedar Walk Lane	Charlotte	NC	28277	704-451-1747	Roz.williams@houseofcolour.com
Pottieger	Charlotte	Charlotte Pottieger Style LLC	855 Ember Dr	Durham	NC	27703	434-249-5201	Charlotte.pottieger@houseofcolour.com
Markham <sup>(3)</sup>	Caitlin	Charleston Color Studio LLC	5133 East Liberty Park Circle	North Charleston	NC	29405	603-785-3744	Caitlin.markham@houseofcolour.com
Messer	Krista	KDM Image Consulting LLC	7231 25 <sup>th</sup> St SE	Buchanan	ND	58420	701-269-3732	Krista.messer@houseofcolour.com
Thompson	Carrie	Color Science LLC	5708 Jack Rabbit Jct	Farmington	NM	87402	505-320-0562	Carrie.thompson@houseofcolour.com
Pyburn	Laurie	N/A	48 McKeel Avenue	Tarrytown	NY	10591	914-548-4386	Laurie.Pyburn@houseofcolour.com
Giallanza	Maria	GiVi Inc	3432 Heron Court	Reminderville	OH	44202	4405540729	Maria.Giallanza@houseofcolour.com
Harrison	Beth Ann	N/A	599 Dunbar Road	Tallmadge	OH	44278	330-592-9233	Bethann.harrison@houseofcolour.com
Denton	Abbey	McNeill Ventures LLC	18817 Haverbrook Rd	Edmond	OK	73012	405-606-1690	Abbey.denton@houseofcolour.com
Anderson	Shinista	Suzy Baker Studio LLC	1839 S.14 <sup>th</sup>	McAlester	OK	74501	918-470-1550	Shinista.anderson@houseofcolour.com
Turner	Morgan	Fashioned Beautifully LLC	3930 E110th St	Tulsa	OK	74137	9183619655	Morgan.Turner@houseofcolour.com
Smith	Crystal	Coated in Color LLC	2607 W. New Orleans Pl.	Tulsa	OK	74011	918-740-4246	Crystal.smith@houseofcolour.com
Read	Marti	N/A	16310 E. 49 <sup>th</sup> Plaza	Tulsa	OK	74134	918-809-0073	Marti.Read@houseofcolour.com
Lunsford	Colleen	Colleen Lunsford Style LLC	1670 Caslon Circle	Blue Bell	PA	19422	610-389-2479	Colleen.lunsford@houseofcolour.com
Bleier & Dudley	Jan&Jackie	Bleier Dudley LLC	929 Osage Rd	Pittsburgh	PA	15243	412-841-2020	Jan.Jackie@houseofcolour.com
Shields	Julie	N/A	1230 Resaca Pl.	Pittsburgh	PA	15212	412-322-2694	Julie.shields@houseofcolour.com

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Mayhew	Gretchen	East Bay Colour LLC	8 Tyler Point Road	Barrington	RI	02806	4014654588	Gretchen.Mayhew@houseofcolour.com
Jacobs	Wendy	N/A	4 Hopsewee Drive	Blufton	SC	29909	774-521-6087	Wendy.jacobs@houseofcolour.com
Schipper	Amber	Siouxland Style LLC	302 Jones St. Ste. 402	Sioux City	SD	51101	641-590-1488	Amber.achipper@houseofcolour.com
Hudnut	Ginny	Natural Summer Stylist LLC	5151 Bent Tree Forest Dr, Apartment 254	Dallas	TX	75248	214-608-4540	Ginny.hudnut@houseofcolour.com
Morgan	Erin	Erin Morgan LLC	7051 Teakwood Dr	Dallas	TX	75240	469-774-045	Erin.morgan@houseofcolour.com
Allen	Brittany	N/A	4134 Swarthmore St	Houston	TX	77005	405-819-0962	Brittany.allen@houseofcolour.com
Czapski	Laura	LC Creative Design LLC	73 Omar Street	Houston	TX	77009	281-785-2155	Laura.Czapski@houseofcolour.com
Gehm	Brooke	Brooke Gehm Style LLC	1401 Canyon Wren Dr	McKinney	TX	75071	214-974-7112	Brooke.gehm@houseofcolour.com
Waltman	Merideth	Wearable Wardrobe LLC	4533 Chesterwood Dr.	Plano	TX	75093	214-74-7406	Merideth.Waltman@houseofcolour.com
Holik	Mackenzie	Mackenzie Holik Style LLC	6556 Spy Glass Drive	San Angelo	TX	76904	325-656-8090	Mackenzie.Holik@houseofcolour.com
Welch	Christina	Christina Welch Style LLC	1631 Hawks Ridge	San Antonio	TX	78248	210-823-0180	Christina.welch@houseofcolour.com
Sigler	Lauren	Charley Horse Road	24782 Wakerobin Court	Aldie	VA	20105	703-244-6164	Lauren.sigler@houseofcolour.com
Carlos	Melany	N/A	595 Aberdeen St.	Arlington	VA	22204	860-595-9514	Melany.carlos@houseofcolour.com
Kaczmarek	Nicole	N/A	1102 NW 70 <sup>th</sup> St	Seattle	WA	98117	206-550-0931	Nicole.kaczmarek@houseofcolour.com
Nowitzke	Heidi	Wisconsin Likes Style LLC	5811 Normandy Street	Weston	WI	54476	715-630-6521	Heidi.Nowitzke@houseofcolour.com

\*Owns two franchises

<sup>(1)</sup>This franchisee also operates an outlet in Missouri.

<sup>(2)</sup>This franchisee operates an outlet in Texas but resides in Oakland, NE.

<sup>(3)</sup>This franchisee operates an outlet in South Carolina but resides in North Charleston, North Carolina.

### **Franchisees with Unopened Outlets as April 30, 2021:**

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Keely	Amelia	Amelia Margaret LLC	15011 66th CT NE	Kenmore	WA	98022	206-910-9754	Amelia.keely@houseofcolour.com

**Former Franchisees:**

The name and last known address of every franchisee who had a House of Colour Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period May 1, 2020 to April 30, 2021, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Benda	Lindsey	N/A	5430 Royal Crest Drive	Dallas	TX	75229	214-274-1415	lindsey.benda@houseofcolour.com

**EXHIBIT E**

**STATE ADDENDA  
AND AGREEMENT RIDERS**

## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR HOUSE OF COLOUR USA, INC.

The following modifications are made to the House of Colour USA, Inc. (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 20\_\_ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means the laws of the state where the House of Colour Business is located. When the term “**Supplemental Agreements**” is used, it means none.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

#### **CALIFORNIA**

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.
2. California Corporations Code Section 31125 requires us to give to you a FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.
3. The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Virginia Beach, Virginia. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.
4. The Franchise Agreement and Supplemental Agreements require the application of the law of where the franchised business is located. This provision may not be enforceable under California law.
5. Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in

the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

6. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
7. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).
8. The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.
9. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
10. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
11. Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.
12. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
13. Franchise Fee Deferral: Item 5 and Item 7 of the Franchise Disclosure Document, and Section 14 of the Franchise Agreement are hereby amended to state that the Initial Franchise Fee will be deferred until the Franchisor completes all of its initial obligations to Franchisee and the franchise is open for business.

## **HAWAII**

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

Registered agent in the state authorized to receive service of process:

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

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit I of the FDD on the page entitled, "State Effective Dates".
2. States which have refused, by order or otherwise, to register these Franchises are:  
None
3. States which have revoked or suspended the right to offer the Franchises are:  
None
4. States in which the proposed registration of these Franchises has been withdrawn are:  
None

## **ILLINOIS**

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law

clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act”.

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

#### Franchise Fee Deferral:

The Illinois Attorney General’s Office has imposed the deferral requirement because of our financial condition. Item 5 and Item 7 of the FDD and Section 14 of the Franchise Agreement are hereby revised to state that payment of all initial fees, including the Franchise Fee, shall be deferred until after all of the Franchisor’s initial obligations are complete and the Franchise is open for business.

## **INDIANA**

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

## **IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

### **NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to House of Colour USA, Inc., 7 Bell Yard, London, WC2A 2JR, United Kingdom not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

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

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

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

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

## **MARYLAND**

### AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

## **MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five years; and (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the Franchise or you do not receive at least six months' advance notice of our intent not to renew the Franchise.

(e) A provision that permits us to refuse to renew a Franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

**MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 6 of the FDD and Section 14.5 of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence pursuant to Minnesota Statute 604.113.
6. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out

of any third party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.

7. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
8. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
9. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

## **NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for Franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for Franchisor approval of transfer:**”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by Franchisee.**”

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of Forum,**” and Item 17(w), titled “**Choice of Law:**”

The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

## **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any section of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 15 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

## OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials \_\_\_\_\_ Date \_\_\_\_\_

### NOTICE OF CANCELLATION

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to House of Colour USA, Inc., 7 Bell Yard, London, WC2A 2JR not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

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

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

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

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

## **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

## **SOUTH DAKOTA**

Intentionally left blank.

## **VIRGINIA**

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for House of Colour USA, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **WASHINGTON**

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your Franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your Franchise. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In any arbitration or mediation involving a Franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, or rights or remedies under the Act such as a right to a jury trial may not be enforceable. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

*(Signatures on following page)*

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                          |            |                          |              |                          |              |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan     | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii     | <input type="checkbox"/> | Minnesota    | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois   | <input type="checkbox"/> | New York     | <input type="checkbox"/> | Virginia     |
| <input type="checkbox"/> | Iowa       | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington   |
| <input type="checkbox"/> | Indiana    | <input type="checkbox"/> | Ohio         | <input type="checkbox"/> | Wisconsin    |
| <input type="checkbox"/> | Maryland   |                          |              |                          |              |

Dated: \_\_\_\_\_, 20\_\_\_\_

**FRANCHISOR:**

HOUSE OF COLOUR USA, INC.

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

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

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Rev. 050918

**EXHIBIT F**

**CONFIDENTIAL OPERATIONS MANUAL  
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September 2017 :

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September 2017 :

## **EXHIBIT G**

### **CONTRACTS FOR USE WITH THE HOUSE OF COLOUR FRANCHISE**

The following contracts contained in Exhibit G are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the House of Colour Business. The following are the forms of contracts that House of Colour USA, Inc. uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.

**EXHIBIT G-1**

**HOUSE OF COLOUR FRANCHISE**

**SAMPLE GENERAL RELEASE AGREEMENT**

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of House of Colour USA, Inc., a Virginia corporation (“Franchisor,” and together with Releasor, the “Parties”).

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a House of Colour business;

**WHEREAS**, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

**WHEREAS**, as a condition to Franchisor’s consent to (transfer the Agreement/enter into a successor franchise agreement/amend the agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties**. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release**. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale

of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Virginia.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_, a  
\_\_\_\_\_

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

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

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

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 012021

## EXHIBIT G-2

### HOUSE OF COLOUR FRANCHISE

#### SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of House of Colour USA, Inc., a Virginia corporation, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a House of Colour business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a House of Colour business or the solicitation or offer of a House of Colour franchise, whether now in existence or created in the future.

“*Franchisee*” means the House of Colour franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a House of Colour business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a House of Colour business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a House of Colour business, including “HOUSE OF COLOUR,” and any other trademarks, service marks, or trade names that we designate for use by a House of Colour business. The term “Marks” also includes any distinctive trade dress used to identify a House of Colour business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the one-year period after you cease to be a manager or officer of Franchisee’s House of Colour business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the nine-month period after you cease to be a manager or officer of Franchisee’s House of Colour business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s House of Colour business (and including the premises of the approved location of Franchisee); and (ii) a 25-mile radius from all other House of Colour businesses that are operating or under development as of the beginning of the *Restricted Period*; provided, however, that if a court of competent jurisdiction determines that the foregoing *Restricted Territory* is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within a 12-mile radius from Franchisee’s House of Colour business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a House of Colour business, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the House of Colour business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s House of Colour business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s House of Colour business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the *Restricted Period* by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the *Restricted Territory*. If you engage in any Prohibited Activities during the *Restricted Period*, then you agree that your *Restricted Period* will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether

you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other House of Colour franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of the state where the House of Colour Business is located, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

*(Signature on following page)*

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 120619

## EXHIBIT G-3

### HOUSE OF COLOUR FRANCHISE

#### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of House of Colour USA, Inc., a Virginia corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow House of Colour franchisees to use, sell, or display in connection with the marketing and/or operation of a House of Colour Business, whether now in existence or created in the future.

“*Franchisee*” means the House of Colour franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*House of Colour Business*” means a business that provides personal stylist, image consultant, and color analysis services to the general public and other related products and services using our Intellectual Property.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a House of Colour Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a House of Colour Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a House of Colour Business, including “HOUSE OF COLOUR” and any other trademarks, service marks, or trade names that we designate for use by a House of Colour Business. The term “Marks” also includes any distinctive trade dress used to identify a House of Colour Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a House of Colour Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the House of Colour Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of House of Colour USA, Inc. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other House of Colour franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

## **7. Miscellaneous.**

a. Although this Agreement is entered into in favor of House of Colour USA, Inc., you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of the State of Virginia, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 120619

**EXHIBIT G-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

**Bank Account Information:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

**Authorization:**

Franchisee hereby authorizes House of Colour USA, Inc. (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
  
Federal Tax ID Number: \_\_\_\_\_

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

**EXHIBIT G-5**

**HOUSE OF COLOUR FRANCHISE**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between House of Colour USA, Inc. (“**Franchisor**”), \_\_\_\_\_ (“**Former Franchisee**”) and \_\_\_\_\_ (“**New Franchisee**”).

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (“**Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a House of Colour franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing of a franchise agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Former Franchisee’s rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor’s current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute Franchisor's current form of Franchise Agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a House of Colour franchise as stated in Franchisor's Franchise Disclosure Document.

6. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of a new franchise agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the state where the House of Colour Business is located.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

HOUSE OF COLOUR USA, INC.

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

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

**FORMER FRANCHISEE:**

\_\_\_\_\_

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

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

**NEW FRANCHISEE:**

\_\_\_\_\_

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

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

Rev. 031821

**EXHIBIT H**

**FRANCHISE DISCLOSURE QUESTIONNAIRE**

## FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, House of Colour USA, Inc. (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a House of Colour franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

1.        Yes\_\_ No\_\_    Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?
  
2.        Yes\_\_ No\_\_    Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
  
3.        Yes\_\_ No\_\_    Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
  
4.        Yes\_\_ No\_\_    Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
  
5.        Yes\_\_ No\_\_    Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
  
6.        Yes\_\_ No\_\_    Have you had the opportunity to discuss the benefits and risks of developing and operating a House of Colour Franchise with an existing House of Colour franchisee?
  
7.        Yes\_\_ No\_\_    Do you understand the risks of developing and operating a House of Colour Franchise?
  
8.        Yes\_\_ No\_\_    Do you understand the success or failure of your House of Colour Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
  
9.        Yes\_\_ No\_\_    Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Virginia, if not resolved informally or by mediation, subject to state law?
  
10.       Yes\_\_ No\_\_    Do you understand that you must satisfactorily complete the initial training program before we will allow your House of Colour Franchise to open or consent to a transfer of the House of Colour Franchise to you?

11. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a House of Colour Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a House of Colour Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes\_\_ No\_\_ Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the House of Colour Franchise?
15. Yes\_\_ No\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

Date \_\_\_\_\_

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 121720

**EXHIBIT I**

**STATE EFFECTIVE DATES**

## State Effective Dates

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

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

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

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

**EXHIBIT J**

**RECEIPT**

**RECEIPT**  
**(Retain This Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If House of Colour USA, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, House of Colour USA, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires House of Colour USA, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If House of Colour USA, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Marcus King, 7 Bell Yard, London, WC2A 2JR, United Kingdom, +44 1923 211188
Helen Shillan, 7 Bell Yard, London, WC2A 2JR, United Kingdom, +44 1923 211188
Kimberly Mayhew, 12900 Metcalf, Suite 3215, Overland Park, Kansas 66213, +44 1923 211188
Ally Van Iten, 12900 Metcalf, Suite 3215, Overland Park, Kansas 66213, +44 1923 211188

Issuance Date: August 26, 2021

I received a disclosure document issued August 26, 2021, which included the following exhibits:

- Exhibit A List of State Administrators/Agents for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D List of Current and Former Franchisees
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Manual Table of Contents
- Exhibit G Contracts for use with the House of Colour Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev.012417

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

**RECEIPT  
(Our Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If House of Colour USA, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, House of Colour USA, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires House of Colour USA, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If House of Colour USA, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

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- Exhibit F Manual Table of Contents
- Exhibit G Contracts for use with the House of Colour Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev. 012417

**Please sign this copy of the receipt, date your signature, and return it to House of Colour USA, Inc., 7 Bell Yard, London, WC2A 2JR, United Kingdom.**