



**POLICIES AND PROCEDURES  
USA**

**Contents**

Introduction and Company Values..... 3

Section 1: Getting Started As An Independent Stylist..... 5

Section 2: Conducting Business As An Independent Stylist ..... 9

Section 3: Building a Team As An Independent Stylist..... 16

Section 4: Marketing and Advertising ..... 20

Section 5: Taxes, Expenses, and Contractual Obligations ..... 30

Section 6: Compliance Investigations and Disciplinary Action ..... 31

Section 7: General Terms ..... 34

## Introduction

Color Street, LLC (“Color Street” or “Company”) is a fast growing direct-to-consumer beauty and cosmetics company that is empowering entrepreneurial Independent Stylists to start their own businesses. Color Street sells an exclusive line of exciting and unique products. For more information, you can visit [www.colorstreet.com](http://www.colorstreet.com).

## Color Street Culture and Values

At Color Street, culture and values are vitally important both to the company and to its Independent Stylists. We developed these Policies & Procedures to protect our culture, and by sharing our values we hope to ensure that each Independent Stylist operates by a common set of rules that is fair for everyone involved.

At Color Street, we take pride in professionalism, honesty and equality. Our constant aim is to emphasize and affirm the full participation of persons in all business activities and rewards without regard to race, color, sex, sexual orientation, disability, age, or national origin. It is extremely important that these values are also held by our Independent Stylists. Because Color Street believes strongly in inclusiveness, we actively promote diversity and fair dealing among our employees and Independent Stylists—in fact, we do so in all aspects of our business. In our culture, every human being has inherent worth and dignity, so we work to ensure that our employees and Independent Stylists treat each other and all other persons with kindness and respect.

Below are the ways in which we expect you to represent Color Street:

- Maintaining a high standard of professionalism and integrity with customers, colleagues, and all other members of the Color Street Home Office;
- Providing genuinely useful customer service as you develop long-term customer relationships; and
- Avoiding negative comments about your colleagues, clients, the Home Office, Corporate Officers, the Compensation Plan, or Color Street’s products. If you are unhappy with any aspect of Color Street’s policies, the best way to deal with it is to give feedback directly to your Enroller or the Color Street Home Office.

The values above are very important to Color Street. If you do not operate according to them at all times, our relationship with you as a Color Street Independent Stylist may be terminated. Thank you in advance for always operating with the Color Street values in mind.

## General Conduct

In addition to adhering to the Color Street Culture and Values described above, Independent Stylists agree that they will safeguard and promote the good reputation of Color Street and its products. They also agree to avoid all illegal, deceptive, misleading, unethical or immoral conduct or practices, and to exhibit high moral character in their personal and professional conduct. Independent Stylists shall not engage in any conduct that may damage the Company’s goodwill or reputation. While it is impossible to specify all misconduct that would be contrary to this policy, and the following list is not a limitation on the standards of conduct to which Independent Stylists must adhere pursuant to this policy, the following standards specifically apply to Independent Stylists’ activities:

- Deceptive conduct is always prohibited. Independent Stylists must ensure that their statements are truthful, fair, accurate, and are not misleading;

## Color Street Policies and Procedures

- If an Independent Stylist is terminated for any reason, the Independent Stylist must discontinue using the Color Street name, and all other Color Street intellectual property, and all derivatives of such intellectual property, in postings on all social media, websites, or other promotional material.
- Independent Stylists may not represent or imply that any state or federal government official, agency, or body has approved or endorses Color Street, its program, or its products.
- Independent Stylists must not engage in any illegal, fraudulent, deceptive, or manipulative conduct in the course of their business or their personal lives that, in the Company's sole discretion, could damage the Company's reputation or the culture that exists within the field-sales force.

Color Street does not permit or condone any conduct that promotes discrimination, profanity, abusive or illegal activity in any form whatsoever. Stylists that engage in any such behavior may be disciplined, on a case by case basis, which may include suspension and /or termination. Color Street also has rules regarding proper conduct in connection with Social Media which can be found in Section 4c, hereto.

## Questions and Support

If you have questions about any part of the Independent Stylist Agreement, you can discuss them with your Enroller. Also, you are always welcome to contact the Color Street Customer Service team at [customerservice@colorstreet.com](mailto:customerservice@colorstreet.com).

## **SECTION 1: GETTING STARTED AS AN INDEPENDENT STYLIST**

### **1a – Qualifications**

You become a Color Street Independent Stylist once you have completed the Independent Stylist Agreement and it has been received and accepted by the Home Office. Here are the requirements to be a Color Street Independent Stylist. You must:

- Be 18 years of age or older;
- Reside in the United States, a U.S. Territory, or any country that Color Street has officially announced in writing is open for business.
- Have a valid SSN, EIN, or ITIN;
- Have legal authority to conduct business and earn income in the United States;
- Have an address to which products, correspondence and other items may be sent, in the United States, the District of Columbia, Puerto Rico, Guam, or a U.S. military base, as permitted by the base commander;
- Not be a current employee, officer or director of Color Street and/or its affiliates, or the spouse or registered domestic partner of the foregoing;
- Provide a valid email address not already associated with another Independent Stylist;
- Have a valid Credit or Debit Card on file at all times; and
- Purchase a Starter Kit (Applicants who live in North Dakota do not have to purchase a Starter Kit.).

### **1b – Independent Contractor Status**

Independent Stylists shall not be treated as employees of Color Street, LLC for all purposes including, without limitation, all federal, state, or local statutes, rules, regulations, directives, ordinances, guidance and other laws, including without limitation, the Internal Revenue Code and all state tax, revenue and employment laws and regulations. Independent Stylists are not entitled to the benefits that Color Street may make available to its employees. Independent Stylists are self-employed, non-exclusive independent contractors who are authorized by Color Street to market and sell the Color Street products and sponsor other Independent Stylists in the 50 United States, the District of Columbia, Puerto Rico and Guam. Independent Stylists are not employees, partners, agents, franchisees, or legal representatives of any Color Street company. Except to the extent necessary to comply with legal requirements and/or protect the Company's intellectual property and brand reputation, Color Street does not exercise control over the manner or means by which Independent Stylists sell Color Street products, enroll others into the program or otherwise operate the Independent Stylist Agreement. As an Independent Stylist, you ultimately rely on your own independent skills in conducting your business and bear the full risk of loss in your business. Independent Stylists shall establish their own goals, hours, place of business, and method of sale, so long as they comply with the Independent Stylist Agreement. Independent Stylists may not state (expressed or implied) that you are an employee of Color Street, and you must not state to any prospective Independent Stylist that they will become an employee of any Color Street Company. Independent Stylists have no authority, and shall not represent that they have any authority, to bind Color Street to any obligation, contract or agreement, Independent Stylists are responsible for paying all applicable local, state, and federal taxes due from any amounts earned through the Independent Stylist Agreement and subsequent Compensation Plan. There is no guarantee that there is or ever will be a market for the Color Street products or that Stylists will earn income or will not lose money.

## **1c – Stylist Application and Acceptance**

Once an applicant has submitted a properly completed Independent Stylist Agreement, paid for the Basic Business Kit, subscribed to eSuite and submitted any other documents that Color Street may require, created a password and Color Street has accepted and processed the Independent Stylist Application, the Applicant will become an Independent Stylist and will be assigned a unique Identification Number. Independent Stylist Identification Numbers are intended for use by the Independent Stylist to which it was assigned. Independent Stylists are responsible for any activity that is conducted using the Identification Number. Similarly, Passwords are considered Confidential Information and should not be shared with anyone, as it unlocks the Stylist Virtual Office where all pertinent and key organizational reports, performance history, and records are kept. Additionally, it is the responsibility of the Independent Stylist to provide the correct Identification Number in all communications, verbal and written, to Color Street. The Independent Stylist Identification Number must be used by that Independent Stylist to identify him or herself to Color Street and is required for most transactions.

If an Independent Stylist Application is incomplete or inaccurate, or if Color Street does not receive acknowledgement of the eSuite subscription fee, the Independent Stylist Application may be rejected or Color Street may provisionally accept the Application pending receipt of all required information or the payment, but the Applicant will not be entitled to any Compensation unless and until the Application is finally accepted by Color Street. An Independent Stylist Application may be accepted or rejected for any reason, or no reason, in Color Street's sole discretion. If Color Street rejects the Application, then the Applicant will not become an Independent Stylist and any position created will be terminated. In these cases, a refund may be issued for the Basic Kit purchase.

## **1d – Team Structure**

Color Street has a team structure that resembles a family tree; it shows the relationship between Independent Stylists and their Sponsors. Your Enroller is the person who enrolled you when you first entered Color Street. Most of your training and information will be available to you either through the Virtual Office or through your Enroller/Sponsor and their upline leader(s).

## **1e – No Inventory Requirements**

Independent Stylists must never purchase more products than they can reasonably use or sell to retail customers in a month and must not influence or attempt to influence any other Independent Stylist to buy more products than they can reasonably use or sell to retail customers in a month. Independent Stylists are not required to buy or carry inventories of any specific amount of Color Street's products. Independent Stylists may earn commissions and rewards without the need to carry any inventory. If you choose to buy Color Street's products, you can order them directly from Color Street via the Color Street website or through the Independent Stylist's Personal Website (PW).

The Color Street program is built on sales to the ultimate consumer. Color Street encourages its Independent Stylists to only purchase inventory that they and their family will personally consume, will be used as a sales tool, or will be resold to others for their ultimate consumption. Independent Stylists must never attempt to influence any other Independent Stylists to buy more products than they can reasonably use or sell to retail customers in a month. Purchasing product solely for the purpose of collecting bonuses or achieving rank is prohibited. Color Street retains the right to limit the amount of purchases you may make if, in our sole judgment, we believe those purchases are being made solely for qualification purposes instead of for consumption or resale. Furthermore, falsely representing the sale or use of Color Street products is grounds for termination of the applicable Independent Stylist Agreement. Color Street reserves the right to require further documentation concerning any large orders to ensure compliance with this Section.

## **1f – Inventory Handling**

Independent Stylists may not re-package, re-label, alter, or tamper with any Color Street products, and shall not sell or distribute Color Street products that have been opened, tampered with, altered or damaged in any way. Independent Stylists shall properly store any Color Street products intended for sale to avoid any damage or degradation to the products and shall not sell any Color Street products after the printed expiration or “best before” date, should there be one. Re-labeling and re-packaging can violate federal and state laws, which may result in criminal or civil penalties or liability.

## **1g – Purchase Limitations/Inventory Loading**

All Independent Stylist purchases of Color Street products in excess of \$800.00 during any calendar month are subject to review by Color Street. Such orders must be supported by receipts retained by an Independent Stylist demonstrating they were sold to at least three (3) different Retail Customers and/or provided as incentives to at least three (3) different individuals. Also, as part of this review, and in addition to the sales receipts, Independent Stylists may be required to provide a monthly sales record detailing the date of the sale to a retail Customer, the retail Customer’s name, address, and/or phone number, the products sold, the method of payment, and the total sale amount. Color Street reserves the right to rescind qualifications for Recognition, Rank Advancements, Achievement Rewards, including incentive trips, or to claw back Commissions, in instances in which the Independent Stylist is found to have placed excessive orders, whether those orders are placed in his or her own Independent Stylist account or via a Customer account. Any time receipts cannot be provided, when requested, the Independent Stylist will be placed on automatic suspension for a duration Color Street determines at its sole discretion. Any suspicious or fraudulent activities are subject to review. Independent Stylists must cooperate with the investigation regarding suspicious or fraudulent activities

## **1h – Bulk Orders**

A “Bulk Order” is an order for more than 50 pieces of the same item (same SKU #). We recognize that there may be special situations in which you or your customers may need to place a Bulk Order. This could be for charity or other events, and we are willing to fulfill a Bulk Order if inventory allows.

We do not offer discounts, waive shipping costs, or accept returns on Bulk Orders. Please be sure to communicate this with your customers *before* completing their order. If you would like, you may offer your customer a discount or promotion on a ‘Bulk Order’ from your personal commissions. This would be an agreement between you and your customer and Color Street is not responsible for such agreements.

To ensure that all Independent Stylists have equal opportunity to sample new products, ‘Bulk Orders’ for newly released products may not be approved within thirty (30) days of release.

## **1i – Stacking**

“Stacking” is strictly prohibited. While the compensation plan includes a strategic placement feature, stacking occurs when an Independent Stylist gifts a new enrollment to another Independent Stylist in the downline to help quickly advance and rank through the Compensation Plan or earn an enrollment-based incentive of any kind. In order to ensure stacking does not occur, and for the strategic placement feature to align with the Color Street Compensation Plan, the new stylist, as well as both the enroller and new sponsor, must (1) agree to the move, and (2) the new sponsor is willing to support and train the new stylist.

Stacking includes: (a) providing financial assistance to new Independent Stylists for the purpose of maximizing compensation pursuant to Color Street's Compensation Plan; (b) violating Section 1j below; and/or (c) placing a new Independent Stylist in any downline organization with the intent of manipulating the compensation plan through "gaming" thus acquiring financial gain in a manner not intended or permitted.

### **1j – Advancement and Bonus Buying**

Each Independent Stylist must directly join Color Street and purchase products on his or her own volition. Advancement and Bonus Buying, along with the action of Stacking, is strictly and absolutely prohibited in all circumstances and is taken very seriously. Bonus Buying may result in immediate termination of your Independent Stylist Agreement.

'Bonus Buying' includes, but is not limited to, the following:

1. The enrollment of:
  - a. Individuals into an Independent Stylist Agreement without their knowledge ("Slamming");
  - b. A non-existent individual as an Independent Stylist or Customer ("Phantoms");
  - c. An existing Independent Stylist under a different account or with an alias name.
2. The unauthorized use of a credit card or use of a fraudulent credit card.
3. Subsidizing all or part of a customer purchase to count toward your volume or toward another team member's volume.
4. Subsidizing all or part of a new Starter Kit purchase to add a new Independent Stylist to your team.
5. No sharing customer orders or effecting the placement of customers' orders amongst downline Independent Stylist accounts; including sending links of other Independent Stylists to your customers for the purpose of qualification, rank advancement, commissions, incentives, rewards or bonuses.
6. Purchasing products or placing customers, either through your account or a downline team member's account to:
  - a. Qualify for contests, promotions, personal sales requirement for bonus commissions or Paid Rank;
  - b. Avoid Compression;
  - c. Increase sales or Host Rewards;
  - d. Qualify a Nail Bar.
7. The practice of 'Inventory Loading' or encouraging others to do so. Inventory Loading refers to forcing Downline Independent Stylists or customers to buy a large number of products in order to get benefits from those sales. (See 1g)
8. Any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions, or bonuses that is not driven by bonafide product purchases by retail customers.



Upon discovery of any Advancement or Bonus Buying, Color Street, at its sole discretion, may impose sanctions against the Independent Stylist, which may include but is not limited to, final warning, suspension and/or termination. Additionally, the Independent Stylist will forfeit the right to participate in any Leadership bonus or earned trip. A repeat offense may result in immediate termination.

#### **1k – Virtual Office Access**

Color Street makes online virtual offices available to its Independent Stylists. The Virtual Office (VO) provides Independent Stylists access to confidential and proprietary information that may be used solely and exclusively to promote the development of an Independent Stylist's Color Street business and the marketing of Color Street products. Access to the VO is a privilege, and not a right. Color Street reserves the right to deny Independent Stylists access to the VO at its sole discretion.

### **SECTION 2: CONDUCTING BUSINESS AS AN INDEPENDENT STYLIST**

Color Street is a direct-to-consumer business, so the bulk of your success will depend on how well you can develop positive relationships. This need to support relationship building explains why Color Street tries to discourage customers from making one-time, impulse purchases and instead steer them toward a long-term customer relationship with you as an Independent Stylist. Selling methods vary – from in-person Nail Bars and other Sales Events to “live” events on social media to networking and offering personalized service to customers. To the greatest extent possible, we encourage you to build long-term business relationships with customers.

#### **2a – Commissions Policy**

With Color Street, you have the opportunity to earn income on the sale of Color Street products. Your earning capacity depends on your active status as an Independent Stylist, your hard work and dedication and your monthly Paid Rank. The money you earn includes commissions from your personal sales volume as well as team commissions that are earned for a given commission period. You can always view your activity and track your progress in your Virtual Office. To get more details about commissions, please read the full version of the Compensation Plan available in your Independent Stylist Virtual Office.

Commission payments will be issued in your official account name and *cannot be paid otherwise*. If you have any issues or discrepancies with your commission report, please contact Customer Service right away to have it resolved.

#### **2b – Adjustments to Commissions**

If a product is returned to Color Street for a refund, is repurchased by the Company, or if a chargeback for a fraudulent order occurs, the compensation that would have gone to you for that sale of the returned or repurchased product(s) will be recovered by the Company. A compensation that has already been paid to you on products that undergo chargeback, refund, or repurchase is considered unearned compensation. Unearned compensation will be deducted from any earnings to be paid during the month in which the refund is issued or in which the chargeback occurs. No past rank or title will be affected, but the negative volume from the refund or chargeback will affect the month in which the refund or chargeback is processed. If there are not enough funds to cover the full refund, deductions will continue every pay period until the commission is recovered. These deductions will be taken from the Independent Stylist and from any Upline Independent Stylists who also received commissions on the sales of the refunded products. Refunds and chargebacks will not be processed the last two (2) business days of each month so as to enable Independent Stylists to manage their end-of-the-month sales volume and rank qualifications.

Color Street reserves the right to withhold some or all of an Independent Stylist's compensation as is necessary to recover unearned compensation or to comply with any wage garnishment or court order directing Color Street to retain, hold, or redirect such compensation to a third party.

## **2c – Reporting Commission or Genealogy Errors**

If an Independent Stylist believes that Color Street has made an error in their compensation, the structure or organization of their genealogy, or any other error that impacts the Independent Stylist's income – whether the error is in the Independent Stylist's favor or the Company's favor – they must report it to the Company in writing within 60 days from the date on which the mistake occurred. While Color Street shall use its best efforts to correct errors reported more than 60 days after the date of the error, Color Street shall not be responsible to make changes or remunerate Independent Stylists for losses for mistakes that are reported more than 60 days after the mistake occurs.

## **2d – Handling Personal Information**

As an Independent Stylist, you may receive personal information from and about prospective Independent Stylists, customers, and other individuals. It is important that you keep this information confidential, as doing so helps ensure your compliance with laws and enables you to maintain your customers' trust. Personal information is any information that identifies individuals or permits you to contact them. It includes the mailing address, email address, phone number, credit card information, and purchase history belonging to a customer, potential customer, or other individual. It also includes any other information associated with these details.

You are responsible for protecting all personal or sensitive information from unauthorized access or disclosure. Do not share an individual's personal information. You are also expected to destroy sensitive information when it is no longer needed. When you no longer need another's personal information you must shred or irreversibly delete it.

## **2e – Give the Customer Notice and Choices**

Customers may want to know why you are collecting their personal information and what you plan to do with it. You should be sensitive to their concerns and tell them what information you are collecting and with whom you will share it. You should also notify customers before or at the time you collect their personal information and always make certain that you use and share personal information only in the ways you promised. You should also give each customer the chance to choose how you communicate with them. Find out if a customer wants to receive promotional and other marketing messages from you and whether they prefer to receive them by e-mail, phone or another method of communication. This should be done *before* you use the communication method. That is, they should have the choice to opt-in to marketing messages from you; they should not be added to any communications and then required to opt out. In all cases, you must respect the customer's choices.

## **2f – FTC Three-Day Cooling Off Rule**

Independent Stylists who sell products directly to customers must provide their retail customers with two (2) copies of an electronic or printed receipt at the time of the sale and advise them of the three (3) day right to rescind the transaction, which is set forth on the receipt. Independent Stylists must maintain all retail sales receipts for a period of two (2) years and furnish them to Color Street at the Company's request. Retail customers who purchase products from an Independent Stylist's PW need not be provided with a sales receipt as the receipt will automatically be sent by the Company via email at the time the order is placed.

The Company has a retail customer guarantee policy. Regardless, all retail sales must still comply with the FTC Three-Day Cooling Off Rule. This rule requires that you use statutory language and notice of cancellation on the retail sales receipt. The three-day right of cancellation must be orally explained to the customer and the customer must receive two (2) copies of the notice-of-cancellation form.

## **2g – Order Forms**

Since you are responsible for ensuring the security and confidentiality of the personal information you obtain from customers, be sure to shred credit card information immediately after entering a customer's order in the Virtual Office. Do not use or disclose the information on order forms for any purpose other than submitting an order or confirming the information with the customer.

## **2h – Personal Website Orders**

When a customer orders through your PW, the system adds them to your contact list for purposes of follow-up and marketing. While credit card information is not stored in your Virtual Office, a customer's contact information is securely stored there. Hosts will also automatically be added to your contact list when a Nail Bar is booked. Keep this sensitive information confidential.

## **2i – Nail Bars**

All Nail Bars will automatically close 60 days after they are created. The 60<sup>th</sup> day is the Nail Bar's Last Day to Shop for customers. Hosts get rewards for certain tasks they perform, and these Host Rewards stop accruing when the Nail Bar is closed. Host Rewards must also be redeemed by the Nail Bar's Last Day to Shop, which is referred to as the Nail Bar's Close Date. Independent Stylists may make themselves the Host for a Nail Bar. However, Independent Stylists are not allowed to earn booking rewards for Nail Bars they host, since the purpose of the booking program is to entice and reward future bookings.

## **2j – Orders, Service, No Backorders**

You must process customer orders in a timely manner. You must also provide follow-up service and/or assist customers with returns and questions whenever it is needed—even if it happens outside the period in which you would get compensated for the order. Orders should not be held for your benefit, such as for incentive programs or to count toward next month's commission, if doing so is not in the customer's best interest. Any out-of-stock items cannot be ordered until they are back in stock.

## **2k – No Discounts in Public Forums**

Color Street wants to provide a level playing field for all our Independent Stylists. So, you are not allowed to offer discounts in any public forum. This includes but is not limited to discounts such as "25% off everything at my Sales Event", "Place an online order today and receive 15% off", and "Free shipping on all orders", or any sweepstakes such as "join today and be entered in a drawing." Any other type of offers that lower the retail price of Color Street products are restricted.

We consider a public forum to include the following:

1. Open/public social media platforms on any online site, or in any advertisement.
2. "Closed" social media groups or pages which have as members people who are not your contacts and who have not opted into your closed group or page.

3. Booth events: Events at which an Independent Stylist has a booth and is promoting the business and/or selling Color Street products. This means Independent Stylists must sell at retail prices at booth events.

The only offers that are permitted in public are:

1. Offers that are promoted company wide.
2. Two-finger testers:

Since we understand the importance of incentives to attracting customers, we will permit Independent Stylists to offer free samples of a two-finger tester and to promote that offer in public.

3. You may offer occasional, specific incentives, which must have a time limit attached to them; these incentives must be offered individually or in a closed or private group on social media that only includes your contacts who have opted into your closed group.

Independent Stylists are not permitted to offer any join specials. You must never discount the Starter Kit under any circumstances – whether public, private, or one-on-one situations. Color Street will not allow the Starter Kit to be discounted. The only exception is if the Company itself publishes a limited-time company-wide offer made to all prospective Independent Stylists.

As long as these guidelines are followed, you will be allowed to personally stand the cost of any specific, private promotions for your customers in any way you see fit.

Please see *Section 4p – Sales through Other Internet Sites* for more information.

## **2l – Retail Displays/Pop-Up Shops**

Independent Stylists are not allowed to set-up permanent or semi-permanent product or two-finger tester displays or sell products in a retail establishment, with limited exceptions noted below. A marketing display limited to catalogs, printed flyers, business cards, and a sign is permitted as long as the branding guidelines are followed. Products are to be sold at in-home Nail Bars, one on one, at short-term vendor events or through the Color Street PW. A retail location includes, but is not limited to, mall booths, boutiques, hair salons, nail salons, grocery stores, flea markets, farmer's markets, restaurants and other permanent establishments. Events that repeat more than eight (8) times in a calendar year are considered retail locations and are prohibited (for example, a weekly farmers market, or monthly flea market). Short-term events – for example, a Nail Bar – lasting no more than one (1) day each may be held up to eight (8) times a year at the same location, with products being sold at the event. Please see policy 4s Trade Shows/ Expos/ Booth Events for more information.

## **2m – Military Bases (Domestic, APO, FPO)**

Color Street can ship to domestic military bases as well as APO and FPO addresses. If you are at a base, please ask the appropriate personnel at the military base(s) whether a business license or other requirement is required.

## **2n – Corporate Leads**

Corporate Leads are customers or prospective customers who visit our Corporate Websites to place an order, enroll as a new Independent Stylist, or request information. Leads are asked to provide their zip codes so that they can be assigned an Independent Stylist with the paid rank of BQ Stylist or higher who live within 25 miles of the area covered by the Corporate Lead's zip code. Once the data has been pulled, if there are five (5) or less

results, all results will be displayed. If there are more than five (5) results for the chosen area, the five stylists with the highest points (in accordance with the Stylist Locator Rules found in the Resource section of the Virtual Office) will be displayed from highest number of points to the lowest number of points. If an Independent Stylist with one of these paid ranks is not found in the 5-digit zip code, the online locator will expand the radius as described in the Stylist Locator Rules until a result is found.

## **2o – Training Events**

Color Street's Home Office and Field Leaders will regularly offer events such as regional trainings and National Sales Conferences. These events are designed to provide you with the training and information you need to build your business, and we recommend that you attend as many of these meetings as possible. You will learn more about new styles, incentive and training programs and get business updates that will be of benefit to you. These events are also excellent networking opportunities, as they will allow you to connect with other Color Street Independent Stylists and sales leaders. You can learn more about these events in your Virtual Office.

## **2p – Earnings, Income Claims / Lifestyle Representations Prohibited**

Color Street expressly prohibits Independent Stylists from making any direct or indirect earnings representations or projections about amounts earned by them or other Independent Stylists. Income claims or earnings representations (collectively "Income Claims") include (a) statements of actual earnings, (b) statements of projected earnings, (c) perks/rewards received, (d) income testimonials, (e) lifestyles afforded, and (f) hypothetical claims. Independent Stylists may not display in any manner for recruiting purposes or any other reason, commission checks, or make specific income claims or representations.

Lifestyle claims are typically statements, or pictures involving large homes, luxury cars, exotic vacations, or other items suggesting or implying wealth. They also consist of references to the achievement of one's dreams, retiring from a corporate position, becoming your own boss, or allowing a spouse to quit his or her job. Claims like, "my Color Street income exceeded my salary after three months in business," or "my Color Street business has allowed my spouse to stay home and be a full-time parent" all fall under the purview of lifestyle claims that are to be avoided. Independent Stylists may make lifestyle claims (including pictures) only if the following conditions are met:

- (i) The information is accurate and not misleading;
- (ii) The information must be based on your experience and actual compensation while fully disclosing the amount earned and lost by *all* Independent Stylists;
- (iii) The level of effort required to achieve the results described must be fully detailed;
- (iv) Claims of potential or guaranteed income must not be made.

The rule of thumb to be followed is that the disclaimer be "clear and conspicuous" and close to the "triggering claim." The font size and color must be in a color and size that is easy to see, read and understand. Keep in mind that a disclaimer can only qualify or limit a claim to avoid a misleading interpretation. It cannot cure a false claim. Below are sample disclaimers that may be used in different mediums:

### **A. Print (Social Media, Flyers)**

Protecting prospects from unfair or deceptive ads or practices encompasses all mediums, including online and in print.

1. Individual Results Will Vary. Please see the Color Street average earnings at [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure).
2. Extraordinary Results. Please see the Color Street average earnings at [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure).
3. The results shown here are unique and not reflective of future results. For average earnings please see [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure).
4. The income demonstrated here is not a guarantee for your success or earnings. Please see average Independent Stylist earnings at [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure).

B. Video (FB Live, Zoom Meetings, Nail Bars, etc.)

The Earnings Statement should be shown at the beginning and sometimes the end, dependent on content and duration, of each video for a period of time long enough to be noticed, read and understood. Any time the Color Street Opportunity, Stylist earnings, or income potential is discussed the Earnings Statement must be shown.

**EARNINGS STATEMENT**

Senior Directors and above earn annual income achieved by fewer than 1% of Color Street Independent Stylists. Their earnings are extraordinary and not typical. As with most opportunities, you can find exceptional individuals performing well above average, while others perform below average or perhaps make no money at all. The earnings of an Independent Stylist are based solely on the successful sale of products to consumers in accordance with the Color Street Compensation Plan. Independent Stylists will incur expenses in operating their Color Street business, such as the initial business kit purchase, e-Suite subscription, product purchases, and annual renewal fee (if any). With Color Street, you have an opportunity to earn income, but it takes hard work to make a substantial income in this business and an Independent Stylist's success depends largely on their personal commitment, hard work, business skills and market conditions. An Independent Stylist's income is not representative of results and Color Street does not guarantee any income or rank success. For the average annual income for all Color Street Independent Stylists please see the full Color Street Income Disclosure Statement at <http://www.colorstreet.com/incomedisclosure>.

- C. Hypothetical earnings scenarios may imply that the assumptions made are consistent with the actual experience of the average participants. If the assumptions are not typical of the average Independent Stylist, it would likely be false or misleading to consumers. As such, hypotheticals should ideally be avoided; however, if used, a clear and conspicuous disclaimer stating that the information is hypothetical in nature is required. Please consult with the compliance department before disseminating any such information.

The income, bonuses, and rewards earned by an Independent Stylist through the Compensation Plan is based solely on the sale of Color Street products to end consumers. Independent Stylists are not paid on recruitment or the sponsorship of other Independent Stylists. Independent Stylists must truthfully and fairly describe the Compensation Plan. No past, potential, or actual income may be made to prospective Independent Stylists, nor may Independent Stylists use their own income as indications of what is possible. Providing false or misleading income to prospective new stylists is not permitted and it implies that they, too, could earn a similar income and/or that the income disclosed is typical. Neither is true and no statements about income should be made. Independent Stylists must provide the earnings information published in the Color Street Income Disclosure Statement to prospective Independent Stylists. The Federal Trade Commission (FTC) and several states have laws and/or regulations that prohibit certain types of income claims and testimonials, as such it is mandatory that all Independent Stylists comply with this policy. Color Street does not guarantee any level of success or income.

## **2q – Income Disclosure Statement**

The below link to the Color Street Income Disclosure Statement (IDS), which is designed to convey a snapshot of information regarding the income that Independent Stylists may earn, is referenced below. This information is to be shared with any prospective Independent Stylist regardless of venue (nail bars, group parties, online, one-on-one, regional event, conventions, etc.).

<http://www.colorstreet.com/incomedisclosure>

## **2r – Required Disclosures and Disclaimers**

Before an Independent Stylist may sponsor a new Independent Stylist, the Independent Stylist must confirm that the prospective Independent Stylist understands that the earnings and success of an Independent Stylist is not guaranteed and depends largely upon their skills, work effort, commitment, leadership skills, and market conditions. It is equally important that all potential Independent Stylists understand that everyone's results will vary, and past success does not guarantee future results. As with most opportunities, you can find exceptional individuals performing well above average, while others perform below average or make no money at all. Independent Stylists must also make it clear that each Independent Stylist incurs expenses in operating their Business, such as the initial business kit, e-Suite subscription, and annual renewal fees (if any) paid to Color Street, as well as other operating expenses, and that these expenses may offset or exceed any income earned. In Section 2q above, Color Street has provided a link to the Income Disclosure Statement (IDS), which must be shared anytime income or lifestyle derived from Color Street, either directly or indirectly, is discussed. For example, if discussing the Color Street opportunity (the "Color Street Opportunity") or selling Color Street products in Social Media, please add a clear and conspicuous disclaimer, such as: "For information on the average earnings of an Independent Stylist, please go to <http://www.colorstreet.com/incomedisclosure>." Disclosures are important, as they help to ensure that prospective Independent Stylists have appropriate information when considering whether to enroll as an Independent Stylist. Additionally, disclosures and disclaimers are required by applicable laws, rules and/or regulations.

## **2s – Compensation Plan and Program Claims**

Only active Independent Stylists may solicit prospective Independent Stylists. When doing so, the Independent Stylists must provide truthful and clear information and must not use deceptive, unfair, high-pressure practices or make false, misleading or exaggerated claims about the Color Street Compensation Plan or Color Street Opportunity. When presenting or discussing the Color Street Opportunity, Independent Stylists must make it clear to prospective Independent Stylists that financial success in Color Street is not guaranteed and the earnings of an Independent Stylist are based solely on the successful sale of products to customers in accordance with the Color Street Compensation Plan.

## **2t – Competitive Selling**

Unless otherwise stated in these Policies and Procedures, Independent Stylists are free to participate in other multilevel, party plan or network marketing companies (collectively "Network Marketing"): however as long as an Independent Stylist's Agreement remains in force, an Independent Stylist may not become a salesperson for any other direct sales, party plan, or network marketing program that sells nails, nail strips, hand- or foot-related products, or other items from the Color Street product line. An Independent Stylist must not be an agent, independent salesperson, employee, or owner of any entity whose primary purpose is the manufacture, marketing or sale of items carried by Color Street or that otherwise competes with Color Street. For the purposes of this policy, a company is considered to be competing with Color Street when a significant portion of the company's product or marketing experience is derived from offering

items that are carried by Color Street. If a Stylist chooses to participate in another direct sales company, as described in this section, the other company must be promoted completely separately from the Color Street business.

See Section 14 “Non-Solicitation” of the Independent Stylist Agreement for more information.

## **2u – Undue Influence**

As stated in Section 2t, Independent Stylists are permitted to work as distributors for another Network Marketing company, as long as they do not exert any undue influence on other Independent Stylists or customers to make purchases or enroll in the Company. Undue influence includes, but is not limited to: (a) the persuasion or pressure in a relationship when at least one other person(s) i.e., Senior Director vs Stylist who is susceptible to such persuasion or pressure, (b) taking advantage of someone’s distress, or (c) pressuring someone to purchase products or services that they would otherwise not be interested in purchasing."

## **2v – Non-Compete**

Due to the visibility of our higher-ranking Independent Stylists, Independent Stylists at the rank of Executive Director or above agree not to participate as a distributor in any Direct Sales company regardless if the company sells competing products or not. This includes, building a downline with, consulting with, or receiving compensation from any company that is in the direct sales, party plan, or network marketing business channel. Additionally, participation in non-direct sales companies that compete with Color Street are equally prohibitive.

## **SECTION 3: BUILDING A TEAM AS AN INDEPENDENT STYLIST**

Making retail sales to customers is the basis of the Color Street opportunity. However, building a team by enrolling others and helping Downline Independent Stylists to do the same is also an integral strategy for increasing business success and income.

### **3a – Enroller/Sponsor Expectations**

When you become an Enroller or Sponsor and build a team, it is important to provide leadership and training to your downline team. Your own Enroller/Sponsor will partner with you to help you build and develop your team. See the Compensation Plan for an explanation of special terms such as Strategic Placement and the Placement Sponsor. The expectations of Enrollers and Sponsors, including Placement Sponsors, are essentially the same.

### **3b – Leadership Support**

As an Enroller/Sponsor, you are encouraged to actively practice the Color Street Values outlined in Sections 1 and 2 above. In addition, you are encouraged to provide training and support to your downline team. Below are suggested methods on how to build a successful downline organization:

- Show consistent engagement in your business.
- Actively engage in mentoring your Downline Independent Stylists and assist them in achieving their goals;
- Keep friendly and professional relationships with the Color Street community at large. Making disparaging remarks and exhibiting negative behavior about anyone within the Color Street community is not in line with our values.
- Keep a positive presence within social media and in all other public forums. Any concerns about product quality, policies or processes should be handled directly with the Home Office and not in a public forum, including social media. This prohibition includes discussions within closed and secret groups on social media sites. Discussions in such semi-public forums must also remain positive in nature.



- Regularly attend meetings and training sessions.
- Communicate with your team on a monthly basis by email, phone, or in-person to discuss business goals and progress as well as to offer encouragement.
- Disseminate Home Office information to your team in a timely manner.
- Regularly give your team members positive recognition for their efforts and achievements through personal notes, phone calls, team newsletters or posts in online forums.

### **3c – Executive Director Level Responsibilities**

In addition to the above suggested methods of leadership support, an Independent Stylist that achieves and accepts the paid rank of Executive Director is encouraged to provide additional leadership and team building. Below are additional leadership methods suggested for Executive Directors.

- Hold regular team meetings (we suggest monthly) that are open to all Independent Stylists, regardless of whether they are on your team. You should plan and conduct these meetings in accordance with Home Office guidelines.
- Make a reasonable effort to participate in Leadership calls conducted by Color Street and to communicate relevant information from those calls to your team.
- Offer coaching to Downline Independent Stylists who hold the paid rank of Team Leader or above.
- Be available to respond to questions from team members and ensure that they receive a timely response.

Make a reasonable effort to attend Color Street company-wide events, such as National Conferences and Company Regional Events. If you are not able to attend, you should inform your team and make plans with other leaders or Executive Directors to support your team in your absence.

In addition, you are encouraged to attend all annual Leadership Events that apply to your rank.

If your highest Lifetime Rank is Executive Director or above, you should make reasonable efforts to devote time, effort and resources into building your team.

If an Executive Director chronically neglects to provide leadership training and support to a downline team, Color Street reserves the right to transition all or some of the Executive Director's downline team members to a different Sponsor.

### **3d – Changing Sponsors**

Color Street strongly believes it is important to protect the relationship between an Independent Stylist and his/her Sponsor. Therefore, an Independent Stylist may only have one Sponsor. Except as set forth in this section, Color Street prohibits change of sponsorship in order to uphold the integrity of the Compensation Plan and Downline.

#### **3d.1 – Cancellation and Re-application**

An Independent Stylist may only change his or her Sponsor by voluntarily resigning his or her Independent Stylist Agreement and remaining inactive (i.e., no promotion or sale of products, no sponsoring of new Independent Stylists, no attendance at any Color Street function, no participation in any other form of Independent Stylist activity, no operation of any other Color Street business (as a partner, silent or otherwise), and no income from the Color Street Compensation Plan) for six (6) months after the date of resignation. All resignations must be provided to Color Street in writing from the email address on file or via USPS. Following the six-month period of inactivity, the former Independent Stylist may reapply under a new Sponsor. In that event, the former Independent Stylist's Downline

organization will remain in the original line of sponsorship and the former Independent Stylist will rejoin as a new Independent Stylist with no downline. If a second account is found in violation of this policy, the second account will be closed, and the Independent Stylist will be moved back to the original Sponsor. After cancellation, Independent Stylists may not create a new business entity where the Independent Stylist re-joins as an Independent Stylist without first waiting for six months.

Color Street, at its sole discretion, may correct errors by an Independent Stylist in submitting or processing a new Independent Stylist Agreement, if the Independent Stylist advises Color Street of the mistake within 5-business day of account creation.

### **3d.2 - Reactivation**

An Independent Stylist whose Independent Stylist Agreement is terminated is welcome to reapply to become an Independent Stylist. However, the Company reserves the right to deny such a request for reactivation. An Independent Stylist whose Independent Stylist Agreement has been terminated by the Home Office is not eligible to reactivate at any time.

If your re-application is accepted, you will be required to start over at the beginning in accordance with the Compensation Plan Rank of Stylist. If you had a Downline team, that team will not be returned to you.

Two scenarios exist that affect how your Color Street account may be reactivated:

#### **If the date your account was deactivated is less than six (6) months ago:**

- You must reactivate with the same Enroller and Sponsor;
- You must pay a \$25 Reactivation Fee, which will be charged to the card on file;
- Your original Enrollment Date will not change, and you will not have the Color Street Opportunity to earn Jump Start Rewards as a new Independent Stylist. You will see two important dates on your file: an original enrollment date and the latest reactivation date;
- You will not be able to purchase a Starter Kit;
- Since your account is being reactivated, it will not count as a recruit for the Enroller. Therefore, your Enroller will not be able to strategically place you;
- You can reactivate your account a maximum of three (3) times. After the third reactivation, you may not be accepted as an Independent Stylist in the future.

#### **If the Date Your Account was Deactivated is more than six (6) months ago:**

- You will be able to rejoin with any Enroller/Sponsor you choose;
- You will not be required to pay any reactivation fees;
- You must purchase a Starter Kit. (Purchase is optional in North Dakota);
- You will receive a new ID number, a new Enrollment Date, and you will be eligible to earn Jump Start Rewards as a new Independent Stylist;
- Since you will be treated as a new Independent Stylist, your reactivation will count as a recruit for the Enroller and you can be strategically placed if the Enroller has a paid rank of Team Leader or higher;

### **3e – Bonus Qualified Status**

If a Stylist does not achieve bonus qualified status (300 or more in Personal Volume in a calendar month) for at least one month out of any six-month period, any acquired downline Stylists will be rolled up to the Sponsor.

### **3f – Non-Compliance with Sponsorship Change Policy**

In the event a second Stylist Account is found, the Stylist will have only two options: (a) go back to the original sponsor and sales organization and continue to work the Color Street business, or (b) terminate the Independent Stylist Agreement and remain inactive for six (6) months (See 3d.1 Cancellation and Re-application).

### **3g – Multiple Stylist Business Accounts**

An individual may own, manage, or participate in only one Stylist business account at any given time, except as permitted by these Policies & Procedures and with written approval from Color Street. In furtherance of this rule:

1. A person may only be entered once as a primary contact for a Stylist business account,
2. A bank account used for compensation may be used for only a single Stylist business account,
3. A person may not submit a Stylist Application for a Stylist business account or be a joint owner with a Spouse or in a Business Entity if the Stylist has an existing business account or had an active Stylist business account in the past six (6) months.
4. A Stylist business account must contain verifiable and accurate information. Any Stylist business account that is created to circumvent the policies or manipulate the Color Street Compensation Plan will be immediately terminated and any commissions forfeited.

### **3h – Independent Stylist Customer Accounts**

All individuals must make a choice when enrolling with Color Street; either (1) as an Independent Stylist looking to operate an independent business and earn commissions off the sale of products to consumers, or (2) as a Customer purchasing products for their own use without the desire to operate an independent business. Stylists are prohibited from creating a separate customer account, including through the guest portal on the Color Street website, under their own business account or under another Stylist's business account. It is required that everyone be coded appropriately for Color Street business purposes. The creation of these customer accounts manipulate the Color Street Compensation Plan and any customer promotions Color Street may routinely offer.

### **3i – Crossline Recruiting or Cross Sponsoring Prohibited**

Stylists are encouraged to work and collaborate with other Stylists, including those in other sales organization, for the development of their respective teams. It is important that such activities are done with integrity and based on mutual respect. Attempting to recruit Stylists from another organization is unethical and damages Color Street and other Stylists. Cross-sponsoring/recruiting occurs whenever an Independent Stylist, who has been active within the preceding six (6) months, enters into a different line of sponsorship by enrolling under another Sponsor. No active Independent Stylist is allowed to enroll under another Sponsor and any Independent Stylist whose account has been terminated must wait at least six (6) months before enrolling again under a new Sponsor. This includes the use of a spouse or relative's name or assumed names to circumvent this policy. Cross-sponsoring is strictly prohibited.

In addition, you are prohibited from unethically recruiting prospective Independent Stylists away from an Independent Stylist or organization that is already actively recruiting them. Unethical recruitment includes, without limitation,

situations where an Independent Stylist (1) demeans, discredits, disparages, or otherwise portrays negatively another Independent Stylist or organization; (2) makes false or misleading statements in connection with another Independent Stylist or organization; or (3) offers incentives to entice or attempt to entice a prospective Independent Stylist to become a part of their team over another Independent Stylist's team. These acts count as 'poaching,' which is also against Policy.

#### **SECTION 4: MARKETING AND ADVERTISING**

You must at all times conduct business in a manner that reflects favorably on Color Street and the good name, good will and reputation of the Company and our products. You must not engage in deceptive, misleading or unethical conduct or practices that might negatively impact Color Street, our products or the public. The following policies govern marketing or advertising your business in any of the available media. While we cannot list every medium or every social media platform currently available or coming in the future, we reserve the right to apply all these policies to every type of medium and social media platform existing now or in the future.

##### **4a – Clearly Represent Your Independent Stylist Status**

As an Independent Stylist for Color Street, you represent yourself and your own independent business; you do not represent the Home Office. Therefore, you shall not misrepresent yourself in any way that causes confusion or implies that you represent the Home Office. If you list contact information, you must clearly identify yourself as an "Independent Stylist" or "Color Street Independent Stylist". You must also clearly state in all marketing materials including business cards and on public forums (including your social media pages) that you are an "Independent Stylist" or a "Color Street Independent Stylist" to make it understood that you are not an employee or agent of Color Street, or the company itself.

For tax purposes, you are allowed to form your own company for income tax purposes. If you formed a limited liability company (LLC) or other business entity, you may use the business entity name in communication, marketing or advertising but must also include a link to your PW. The landing page of your PW must include your first and last name or your business name or the name of the LLC. It must also clearly identify you as an Independent Stylist.

Independent Stylists are prohibited from selling or distributing any marketing or training materials (including recordings or digital media) which are deceptively similar in nature to those produced, published and provided by the Company. Independent Stylists are also prohibited from purchasing, selling or distributing non-company materials which imply or suggest that the materials originate from the Company. If you create any marketing and training materials, you shall not sell such materials to other Independent Stylists.

##### **4b – Advertising**

To ensure fairness to all Independent Stylists, any advertising activities you engage in as an Independent Stylist must comply with certain restrictions. For example, Independent Stylists are not permitted to advertise through mass mailings or through channels otherwise deemed inappropriate by Color Street. Whatever approved methods you do use for advertising, the information they contain must be accurate, professional and not misleading in any way. You are prohibited from using any paid platform. This exclusion includes the use of services such as Facebook Ads, Google Ads, YouTube Ads, any paid activity to improve search ranking for your PW, and any online directory that allows payment to improve search ranking, such as Sassy Direct or other similar directory.

You may not market or promote Color Street products (whether in print, online, via social media, Nail Bars, vendor events, etc.) in places that offer discounts (please see Section 2k 'No Discounts in Public Forums').

All media communications are handled by our PR or Sales team at the Home Office. Accordingly, please do not reach out directly to celebrities, national magazines, bloggers or other media outlets on behalf of Color Street via any other social media platform or communication mode. Please see Section 4r regarding 'Media Engagement' for more details.

Independent Stylists are solely responsible for any posts and online activity related to their Color Street businesses. If you create, operate or own a website or blog, you may not sell Color Street products, offer Color Street products, book a Nail Bar or sponsor an Independent Stylist via the site itself. You may include links in such a blog or website to your PW. Any SEO or SEM for this website, blog or internet site must not include any past or present Color Street trademarks. No other brands or products can be recommended or sold on the website or blog (see Section 4g 'Co-Branding or Co-Marketing'). If you feature any other Independent Stylists on such platforms, you must first get their permission. You must also be sure to represent yourself as an Independent Stylist so that there will be no confusion regarding whether you are a Home Office employee or a representative of the Company itself. Even if you do not own or operate a blog or website, any comments or posts you make to such sites, or that can be traced to Color Street, will be your personal responsibility.

#### **4c – Social Media**

The following requirements apply to the use of social media in connection with your Color Street business:

1. You may not use any derivative of the Color Street name in any social networking account names, website URLs, email addresses or your PW URL extension, which include but are not limited to:  
  
"Color" and/or "Street", "Color Street", "Colorful", "CS", "C Street", "Suzie Street", and the like.
2. You are allowed to promote your Color Street business and its Products on social media, but you may not use public social media sites to discount Color Street products or offer free samples. The use of paid ads in any social media forum is prohibited. See Section 2k 'No Discounts in Public Forums' for more information.
3. If you create a group or page on a social media platform to promote your Color Street business, or if you use your existing social media profile(s) or account(s) to promote your Color Street business, you must adhere to the following requirements:
  - You must comply with the policies of each social media website or network;
  - You must never post anything that is false, misleading or deceptive. This includes but is not limited to, false or deceptive postings about Color Street, Color Street products, the Color Street Opportunity, the owners, management, or employees of Color Street, or other Independent Stylists. Additionally, Independent Stylists should never post or link to or from any postings or other material that reflects negatively on Color Street, Color Street products, the Color Street Opportunity, the owners, management or employees of Color Street, or other Independent Stylists;
  - Employment claims are not allowed. This is especially important on LinkedIn, which is a job-related social media site.
    - Not allowed: Works at Color Street, Owner at Color Street, Executive at Color Street.
    - Allowed: Independent Stylist at Color Street, Entrepreneur at Color Street, or Independent (Rank).
  - You must never post personal information about other Independent Stylists or Color Street customers;

- You must never post or include links to any posts or other material that is or may be considered:
  - sexually explicit, obscene or pornographic;
  - offensive, profane, threatening, harmful, defamatory, libelous, harassing or discriminatory;
  - an encouragement or promotion of any unlawful behavior;
  - a personal attack on any individual, group or entity;
  - in violation of any intellectual property rights of Color Street or any other third party; or
  - inconsistent with the terms and conditions of these Policies & Procedures; and
- All posts containing business and product claims must be accurate and substantiated. It is mandatory that all Independent Stylists share only business and product data supplied by Color Street, without modification.
- It is the sole responsibility of each Independent Stylist to ensure their online material fully complies with these Policies & Procedures, as well as with all applicable federal and state rules and regulations.
- Hashtags used in social media must comply with these Policies and Procedures, as well as applicable federal and state rules and regulations. Hashtags like “#financialfreedom, #wealth, #beyourownboss, #residualincome, #quityourjob, #unlimitedtravel, #millionaireails, #ColorStreetpaidmymortgage” and anything similar are prohibited.
- When dealing with other Independent Stylists or customers, you cannot sell, profit, or benefit from any affiliate programs, products or services not marketed by Color Street, or companies that you may mention in a group or page or site that you are using for your Color Street business.

If your Independent Stylist Agreement is terminated for any reason, you must remove references to Color Street from the description of any social networking profile(s) used by you within ten (10) days of the date of termination.

If you create a group or page to promote your Color Street business on a social media platform:

- You must not post or share any links to any website or social media account, page, or platform that promotes the products, services, or business program of any other direct selling company. Rather, you should promote only Color Street on the page or site.
- While you are an active Independent Stylist of Color Street (according to the Independent Stylist Agreement) and for a period of 12 months following the termination of your Independent Stylist Agreement, you must not use your Color Street related social media group or page to solicit anyone to join another direct selling, party plan, multilevel, or network marketing program. For example, you shall not rename or convert the group or page that you used for your Color Street business but must delete or archive it.
- If you participate in any other direct selling opportunity, you must use separate online and social media groups or pages for the other direct selling company and keep those groups or pages completely separate from groups or pages used to promote your Color Street business.

#### **4d – Access and Content Removal or Revision**

Color Street will conduct research, either via a third-party partner or internal staff, the activities of Independent Stylists. As such, Independent Stylists must allow Color Street to access and monitor content included in any online presence used for Color Street business. Color Street reserves the right to require immediate removal or revision of content that Color Street determines is in violation of the Independent Stylist Agreement or becomes inaccurate or problematic for any reason, including without limitation, due to changes in Color Street’s business, applicable law, or industry standards.

#### **4e – Product Claims**

Independent Stylists shall not make any claims or representations regarding the Color Street products other than those claims, and representations found in the Color Street approved marketing materials. An Independent Stylist may not state, directly or indirectly, that any Color Street product is approved by the FDA or other governmental agencies. If Independent Stylists develop their own sales aids, and promotional materials (including posts in Social Media), notwithstanding an Independent Stylist's good intentions, the material may unintentionally violate any number of regulations affecting the Color Street Opportunity. These violations could jeopardize the Color Street Opportunity for all Independent Stylists.

All claims regarding cosmetic products may not state, either expressly or by implication, that they are a therapeutic treatment for any condition. You should also not make any claims about the products being "free from" any specific ingredients. Instead, you should simply refer customers to the ingredients listed on the packaging for each product.

#### **4f – Unsolicited Communications**

You may not send unsolicited, bulk-email, faxes, telephone communications, text messages, or other electronic communications to advertise, promote, attempt to sell Color Street products, attempt to recruit people to your Color Street business or attempt to book Nail Bars.

You may send electronic communications to any person from whom you have prior consent to contact via the specific mode of communication. You may send electronic communications to family members, personal friends or any other person with whom you have established a business or personal relationship.

You may not collect business cards from an event and later call these contacts unless they gave you permission to do so at the time you collected the information; this is a form of telemarketing and is not permitted.

You may send text messages related to your business to potential customers only if you have either received consent to do so or are sending a text in response to a text message sent to you. If a potential customer requests that you not send text messages, you must not send that person a text message in connection with your business.

All electronic communications you send in connection with your Color Street business must meet the following requirements:

1. The communication must clearly identify the Independent Stylist as the sender of the email and as an Independent Stylist of Color Street;
2. The communication must include an accurate return email address of the sender; and
3. The communication must include a notice that lets the receiver know that they may reply to the email via the return email address provided, change email preferences, or opt-out of future emails;

In addition to the above requirements, you must not use deceptive subject lines or false header information, and you must honor opt-out requests as soon as possible. In fact, ensure all opt-out requests are processed no later than 10 days from the time they are sent. Please also make sure to review Sections 2d 'Handling Personal Information' and 2e 'Give the Customer Notice and Choices'.

#### 4g – Marketing Materials and Restricted Use of Color Street Intellectual Property and Content

At Color Street, our goal is to provide Independent Stylists with the materials needed to promote both the products and opportunity Color Street offers. Independent Stylists are encouraged to use the sales aids and support materials produced by Color Street, as these items have been carefully designed to ensure that each aspect of Color Street is uniform, fair, truthful, substantiated and complies with the vast and complex legal requirements of federal and state laws. If you feel the need to create your own promotional marketing materials these materials may only include print materials like brochures, fliers, pamphlets, or Nail Bar invitations. In addition, you must ensure they fully comply with the terms of the Independent Stylist Agreement and, in particular, with the policies outlined in this Section 4.

- **Color Street Trademarks and Copyrights:** The name “Color Street” and other names, logos, artworks and designs as may be adopted by the Company are proprietary trade names, trademarks, service marks and copyrights of Color Street (collectively, “Color Street Intellectual Property”). The Company grants Independent Stylists a limited license to use the Color Street Intellectual Property for promotional materials for so long as the Independent Stylist’s Stylist Agreement is in effect. Upon cancellation of an Independent Stylist’s Stylist Agreement for any reason, the license shall expire, and the Independent Stylist shall immediately discontinue all use of the Color Street Intellectual Property. Under no circumstances may an Independent Stylist use any of the Color Street Intellectual Property, or any derivative thereof, in any email address, website domain name, social media handle, social media name or address, or in any non-compliant marketing materials.
- **Color Street Content:** Color Street commonly produces live and recorded events as well as webinars and telephone conference calls. During these events, Company executives, Independent Stylists, and guests appear and speak. The content of such events is copyrighted material that is owned exclusively by the Company. Independent Stylists may not record and/or distribute the contents of company events or functions for any reason, whether such event is live, a webinar, via conference call, or delivered through any other medium. All idea and design submissions made to Color Street by Independent Stylists become the sole property of Color Street and Independent Stylists waive any rights to them upon submission. In addition, Company-produced marketing materials, videos, audios, podcasts, and printed materials are copyrighted. Such copyrighted materials are collectively referred to as “Color Street Content”. Independent Stylists shall not copy any Color Street Content for their personal or business use without the Company’s prior written approval. Independent Stylists have approval to download, print, and/or copy Color Street Content obtained from the marketing section of the Virtual Office provided no impermissible alterations are made to such materials and all copyright and trademark notifications are preserved.

Color Street Intellectual Property and Color Street Content are valuable business assets that support a unique and fair opportunity for Independent Stylists. Color Street and Independent Stylists therefore have a mutual interest in protecting the integrity of the Color Street Brand. According to the terms of your Independent Stylist Agreement, Color Street is the sole and exclusive owner of Color Street Intellectual Property and Color Street Content. You have a limited right to use the Color Street Intellectual Property and Color Street Content solely to promote your Color Street business.

As an Independent Stylist, you may use only the current logos, Color Street trademarks, and Color Street Content that is available in the Resource section of your Virtual Office. Any marketing materials you create must maintain the integrity of the Color Street Brand; they must comply with the Color Street Brand Guidelines, Policies and Procedures, and all applicable laws.

In addition, Independent Stylists must not:

- edit, alter or customize any Color Street trademark, including logos approved for use, or Color Street Content in any manner;



- create or use any trademark or service mark that is similar to or may be confused with any Color Street Trademark or Color Street Content;
- combine any Color Street Intellectual Property or Color Street Content with any other trademarks or service marks;
- use Color Street Intellectual Property or Color Street Content in connection with any other business or opportunity outside of Color Street;
- use Color Street Intellectual Property or Color Street Content in connection with any products that are not genuine Color Street products or sold through Color Street online and offline stores. This includes creating promotional materials like t-shirts, caps, sweatshirts, mugs, tumblers, i.e., swag. These types of marketing materials are to be purchased through the Color Street Store or approved vendors;
- profit from the use of Color Street Brand trademarked names except as permitted by the Independent Stylist Agreement;
- use Color Street trademarks or Color Street Content in connection with Google AdWords or other paid search engine optimization strategies. This includes the use of your Personal Website since this contains branded domain names, such as 'mycolorstreet.com/\_\_\_\_' and 'colorstreet.com/\_\_\_\_.' This reduces any confusion between your PW and Color Street corporate websites;
- register or attempt to register any Color Street trademarks or similar marks in any class of products or services anywhere in the world; or
- create products or services using Color Street trademarks, trade dress, copyright or any other Intellectual Property for sale to others.

Report Infringement of Intellectual Property: Color Street is committed to protecting and enforcing its intellectual property rights. If an Independent Stylist is aware of any infringement, they should report such infringement to [infringement@colorstreet.com](mailto:infringement@colorstreet.com).

#### **4h – Restricted Use of Third-Party Trademarks**

If you create your own marketing materials, then in addition to following the policies outlined in Section 4e, you must also avoid all use of trademark-protected names, phrases, logos or images of third parties or other brands. Without the consent of the owners, you are not to use another party's trademark-protected words, phrases, symbols, designs, or images. These are used to identify and distinguish the source of the goods or services of one party from those of others. They must not be used in conjunction with any materials used to promote Color Street's activities. You are also not allowed to combine such trademarks, words, phrases, or symbols in any way, as these trademarks may still be identifiable as belonging to a third party. Even if you feel you obtained a given image from a credible source, your use of the image can still be in violation of another party's rights. In order to avoid creating personal liability issues for yourself as well as for Color Street, you must be extremely cautious about this issue when you create your own marketing materials.

#### **4i – No Co-Branding or Co-Marketing**

Independent Stylists may not market and/or promote any Color Street products or the Color Street brand in conjunction with any other businesses, products, services or brands. This limitation applies to all promotional

activities including, but necessarily limited to marketing materials, events, presentations, or verbal solicitations. This provision is intended to prevent any unintended perception of affiliation between Color Street, and such other business, product, organization, association, or cause, and to prevent Color Street from being used as a platform to advance such other business, product, organization, association, or cause. Additionally, this prohibition includes the use of internet sites, blogs, social media groups or pages that are dedicated to other products, as well as vendor events, Nail Bars or any other avenues to promote Color Street products.

#### **4j – Gift Bags or Gift Baskets**

Independent Stylists may include non-Color Street and non-Direct Sales related items in gift sets or bags; however, Independent Stylists cannot offer these item(s) as a free gift with purchase. In closed VIP customer groups or at tradeshow/expos/booth events (in compliance with Section 4s), Independent Stylists may market or sell gift baskets containing Color Street product. The majority of the container must be Color Street.

#### **4k – Marketing and Naming Your Personal Website**

We highly encourage you to market your PW link in order to drive online sales to your business. However, you may not use any paid type of search engine marketing strategies for your PW, such as Google AdWords.

- Do not market your PW on any Color Street corporate social media pages such as Facebook, Twitter, and/or Instagram or any similar service. For example, if a customer posts a comment on a Color Street corporate social media page requesting to buy an item or host a Nail Bar, you may not post your PW link in response.
- As an Independent Stylist, you are not permitted to use any altered form of the Color Street name. You are also not allowed to add any generic extensions such as 'shop,' 'nail' 'nailbar' 'nail bar' 'nailshop' 'nail shop' or geographic locations (cities, major regions) to the Color Street name.
- Any personal extension you add to the URL of your PW must identify you clearly and accurately without creating confusion or implying that you represent the Home Office. If the company determines that the PW extension you selected creates confusion as to your status as an Independent Stylist, you will be required to change it. If you have any questions about the effectiveness of your extension or whether the extension could cause confusion, please contact Customer Service before you invest in any marketing materials that use that extension.

#### **4l – Naming: Website URLs, Email Addresses and Social Networking Accounts**

You shall not use an altered form of any Color Street trademark, trade name, or product name in an independent website URL. You must also avoid using these in your email address or account names for social networking sites. The only approved use of the brand name Color Street by Independent Stylists is in a listing as follows:

Your Name, Color Street Independent Stylist.

You may substitute your Paid Rank from the previous full commission period as follows:

Your Name, Color Street Independent 'Title'.

#### **4m – Stylist to Stylist Marketing and Services Restrictions, and Re-sale Restrictions on Current Products**

As an Independent Stylist, you are not allowed to profit or benefit from any non-Color Street marketing services or business aids of any kind to another Independent Stylist. You may inform another Independent Stylist of a

non-Color Street product, service or business that you have used as long as:

1. You would not profit or benefit from that Independent Stylist purchasing that product or service, or
2. The information you share does not interfere with the Company marketing plan or cause another Independent Stylist to believe they must invest resources in a non-Company product or service in order to succeed.

This means you cannot promote graphic design services, business coaching, training classes, photographs, videos, sales tools, marketing materials, business supplies, display items etc.. Independent Stylists may make approved sales tools available free of charge if they wish but may not charge other Independent Stylists for such materials.

As an Independent Stylist, you are not permitted to promote the sale of current or retired Color Street products or business supplies to another Independent Stylist. This includes, but is not limited to, emailing campaigns, and posts or advertisements on sites or groups selling overstocked and close-out items. This is not permitted whether at full retail (catalog) price, Independent Stylist price, discounted price, or higher price.

For additional restrictions on the promotion or selling of any Color Street products, please see *Section 4p Sales through Other Internet Sites*.

#### **4n – Catalogs and Flyers**

We encourage you to advertise your business via Company-provided Marketing Materials. If you create your own materials to advertise, promote, sell or sponsor Color Street products or services, whether these catalogs or flyers are online or in print, you must follow the branding guidelines outlined in your Virtual Office and include the fact that you are a Color Street Independent Stylist so it is clear the material comes from you and not from the Company as a whole.

#### **4o – Phone Listing Policy**

As an Independent Stylist with Color Street, you may list your phone number in your marketing materials. However, your phone number should be listed in the manner below:

- First and Last Name, Rank
- Independent Stylist with Color Street
- Phone Number, Address (if you desire to list your address)

#### **4p – Sales through Other Internet Sites**

Independent Stylists are prohibited from selling Color Street products on any site other than your PW. This includes, but is not limited to, Sonlet, Square, JotForm, eBay, Etsy, Amazon, Craigslist, Groupon, Poshmark, Mercari, NextDoor app, Facebook marketplace and other social media marketplaces, social media "buy sell trade" groups, social media "garage sale" sites or similar, or any other auction or internet sites. It also includes "closed" marketplace groups on social media, as these groups can get so large as to constitute a public forum. Agreeing not to sell Color Street products elsewhere also includes agreeing to not engage others to do so on your behalf. A violation of this policy will result in disciplinary action(s) including but not limited to a warning, suspension and/or

termination of your Independent Stylist Agreement.

Even after your Independent Stylist Agreement is terminated, you cannot sell any items acquired as an Independent Stylist online in any forums such as eBay or Amazon.

#### **4q – Commenting on Competitor Products Similar to Color Street**

You may not use social media platforms to comment on other brands or products that are competitive to Color Street products in order to drive sales and direct customers to your Color Street business or PW.

#### **4r – Media Engagement**

You must contact Customer Service for approval before participating in any local or national media plans. The Home Office PR or Sales team will initiate all television, cable TV, radio, Internet, newspaper, blogs, syndicated columns, broadcast shows, newsletter and magazine interviews, features and paid advertisements. If you are presented with an opportunity to promote your Color Streets business in the media, please take note of the following before you accept:

1. Get the Company's approval in writing before accepting the invitation.
2. Get the Company's approval in writing for any press releases before the release is published in the media.
3. After you have received approval for a story or segment to be published or aired in the media, you must receive coaching prior to the media event.
4. For such media events, you may use only those 'Talking Points' provided by the Company PR or Sales department.

During these events and in any other forum, you must always identify yourself as an Independent Stylist with Color Street and not give the impression that you represent the Home Office.

#### **4s – Trade Shows/Expos/Booth Events**

You may promote your business at exhibits, trade shows and craft fairs, as long as you comply with the following:

- You must register for the event and always refer to yourself as a Color Street Independent Stylist.
- You must ask the event organizer if another Color Street Independent Stylist has already registered for the event. You must not register for any event when another Independent Stylist has already registered.
- At the event, your booth must have a representative present at all times and must not be used to promote another business. Only Color Street brand products and the Color Street opportunity can be promoted at your booth during the event.
- Participation is restricted to events that have a duration of no more than eight (8) two-week events per calendar year. Note that events that occur at the same location (for example, a convention center) more than once per year are considered separate events if there is a separate

agreement/contract for each event and separate advertising for each event. Note also that if the same event repeats more than eight (8) times a year, no Independent Stylist is permitted to have a booth at any of those events, as the location is deemed a prohibited retail location (for example, a weekly farmers market, or a monthly “First Saturday” vendor event).

- You should ask the event organizer for a clause in your Agreement/Contract with them that stipulates whether your booth at the event is exclusive or not – that is, whether you will be the sole representative from Color Street or if the event organizer will allow more than one (1) booth from Color Street. You should also understand that Color Street cannot guarantee any participation outcomes for past Trade Shows/Expos/Booth Events. Please see 2l Retail Displays/Pop-up Shops for more information

#### **4t – Privacy and Recording Policy**

- a. Communications. You agree to receive communications from the Home Office related to Color Street *via* email or authorized social media outlets including but not limited to Facebook, Instagram, etc.
- b. Privacy: Color Street respects your right to privacy and strives to comply with all applicable privacy and data protection laws. By joining Color Street, you agree to the terms of Color Street’s privacy policy. Whenever you submit information on the Color Street website and/or PW, you consent to the collection, use and disclosure of that information as described in the privacy policy and subject to any applicable laws and regulations. Color Street may share your personal information with third parties to perform support services for us. However, Color Street will not sell your personal information collected from its website and/or PW without your express consent.
- c. Attendance at Company Events and Meetings; Use authorized in Company media. Company events and/or meetings online or offline may be recorded by Company. Images, video and audio of people attending or participating in a Company related event may be used by Company. By registering and attending a Company related event and/or meeting, you agree to allow Company to use your image, video, audio and personal information in these recordings. Also, you agree that Company may use your name, photograph, personal story and/or likeness in advertising or promotional materials. Independent Stylists waive all claims for compensation for such use.
- d. Private Video and Recording Prohibited. Except by the express permission of an officer of the Company, audio, video and cellular recording of Company special events and/or leadership calls that discuss Company’s private and confidential information is strictly prohibited as they are governed by an all-rights-reserved copyright policy. Moreover, unauthorized distribution of audio or video recording from company events and/or leadership calls is prohibited unless written permission is obtained from the Company. This includes all Company-related conferences, leadership or team meetings, training sessions, etc.

#### **4u – International markets**

You may enroll Independent Stylists only in countries on the Company’s approved list located in your Virtual Office. All Color Street products, literature, sales aids or promotional material can only be sold in the United States and other countries on the Company’s approved list. You may not sell directly or indirectly to others who export these Company assets. All assets relating to the Company, its products or services, or its program should be marketed and sold by Independent Stylists only inside the United States unless otherwise notified.

## **SECTION 5: RESPONSIBILITY FOR TAXES, EXPENSES, AND CONTRACTUAL OBLIGATIONS**

### **5a – Taxes**

As an independent contractor, you are not an employee of Color Street and you are solely responsible for compliance with all applicable tax laws, including but not limited to, fulfilling any applicable legal requirements for reporting, deducting, or paying taxes on any Compensation you receive as an Independent Stylist and making all requisite tax filings to the appropriate tax authority. Color Street shall not be liable for such payments or any associate fines, penalties, liabilities, or interest for late payments or unpaid balances. As such, you agree to indemnify and hold Color Street harmless from all local, state, federal and other taxes, penalties, and/or interest on any income, commissions, or other earnings derived from the sale of Color Street products or other monetary or non-monetary Compensation earned from Color Street as an Independent Stylist. It is your responsibility to maintain complete records of your income and expenses.

Color Street will not withhold or make payments for (a) social security, (b) unemployment/disability insurance, or (c) obtain worker's compensation insurance on behalf of an Independent Stylist. Each year, the Company will send you an IRS Form 1099 MISC (Non-Employee Compensation) to all Independent Stylists who earn at or above the threshold applied by the Internal Revenue Service for the relevant tax year, which threshold can be found at [www.irs.com](http://www.irs.com). An Independent Stylist's business that is enrolled as a Business Entity may be subject to different or additional obligations. It is the Independent Stylist's responsibility to understand the tax obligations applicable to the Independent Stylist business, in any jurisdiction the business is operated.

### **5b – Expenses and Contractual Obligations**

As an Independent Stylist, you operate, conduct business and are solely responsible for all expenses, debts, and liabilities incurred in connection with your Independent Stylist Business. In addition to the business kit purchase, e-Suite subscription and annual renewal fee (if applicable), the costs and expenses an Independent Stylist may incur operating the independent business include, but is not intended to an exhaustive list, the following:

- Travel, meal, entertainment, and accommodation expense;
- Costs associated with hosting or attending events;
- Expenses associated with learning about, marketing or presenting Color Street products to customers or prospects; and/or
- Fees for legal, tax, or other professional advice.

Color Street will not be responsible for these or any other costs or expenses incurred in connection with operating an Independent Stylist Business.

### **5c – Assumption of Risk**

There are inherent risks in operating any business. As such, Independent Stylists are responsible for obtaining liability insurance for your business. Guidelines and laws exist that dictate how you should run your business and you must follow them strictly or face legal consequences. Color Street takes no responsibility for your ability or inability to comply with these regulations. The entire burden or responsibility for your business decisions and expenditures lies on you as an Independent Stylist. Therefore, Independent Stylists may wish to consult with professional advisors regarding the purchase of insurance and other ways to mitigate these risks for yourself and your business. An Independent Stylist is not obligated to participate in conventions or events.

If, however, an Independent Stylist chooses to participate in conventions or events, then the Stylist assumes all risk and responsibility for traveling to and from and participating in the conventions or events. An Independent Stylist's participation in a convention or event is conduct taken for the management of your own independent business and is not performed in any manner as an employee, agent, or representative of Color Street. This assumption of risk and responsibility is not affected by whether your attendance at a Convention or Event is based on an invitation from or agreement with Color Street. In connection with your assumption of risk, you shall indemnify and hold Color Street, and each of their respective shareholders, directors, officers, agents, and employees harmless from any and all claims, damages, and expenses, including any attorney's fees, arising out of or related to your participation in or travel to and from conventions or events.

## **SECTION 6: COMPLIANCE INVESTIGATIONS AND DISCIPLINARY ACTION**

As an Independent Stylist, you are expected to adhere to the highest ethical and legal standards. Independent Stylists, and anyone working on behalf of an Independent Stylist, is required to adhere to the Independent Stylist Agreement, which includes these Policies and Procedures and the Compensation Plan, and to comply with all applicable laws and regulations.

### **6a – Compliance with Laws and Regulations**

The Direct Selling industry is subject to laws, regulations, and industry codes that are different and often more restrictive than those that apply to other industries. These obligations include:

- Complying with all applicable laws and regulations relating to the promotion and sale of Color Street products and the Color Street Opportunity, including relevant consumer protection laws and privacy requirements;
- Maintaining all records, such as order forms, receipts, and invoices required in connection with the operation of the Independent Stylist Business;
- Following FTC guidelines related to marketing and advertising of Color Street products (e.g., “truthful, not misleading and, when appropriate, backed by scientific evidence”); and
- Adhering to the Federal Food, Drug, and Cosmetic Act and any subsequent registries or monographs regulating the Cosmetic industry.

### **6b – Compliance Violations and Investigations**

Color Street strongly believes in partnering with Independent Stylists to promote their success, while ensuring that Color Street and its Independent Stylists operate ethically and in compliance with applicable laws, regulations and ethical guidelines. The Compliance Department is committed to investigating potential violations of the Independent Stylist Agreement in a thorough, efficient, consistent, and fair manner. Color Street may initiate an investigation on its own initiative or based on information received from a Customer, Stylist, consumer protection organization, governmental agency, or any other entity or person.

Color Street commits to treating all Independent Stylists who are involved in an investigation fairly and respectfully. At the same time, Independent Stylists are required to cooperate fully with investigations and to respond to all inquiries from the compliance department.

Independent Stylists who become aware that another Independent Stylist has violated the Independent Stylist Agreement or believe that an employee or representative of Color Street has engaged in conduct that violates

the professional standards, should promptly notify the Color Street Compliance Department. Details of the incident and any supporting documentation should be included in the report. The responsibility to report misconduct applies to everyone, regardless of rank or title. Once the details and documentation have been gathered, please submit them to [compliance@colorstreet.com](mailto:compliance@colorstreet.com).

#### **6c – Harassment**

Color Street is committed to providing Independent Stylists with an environment free from harassment, intimidation, and abuse from other Independent Stylists, employees, vendors, and any other individuals. At Color Street, harassment of any kind will not be tolerated and is strictly prohibited, such as: derogatory or threatening comments, inappropriate sexual behavior including but not limited to unwelcome sexual advances or requests for sexual favors, displaying visual images of a sexual nature, physical or verbal harassment, or violent behavior. Independent Stylists are encouraged to report any type of harassment incidents immediately. The Company will not tolerate acts or threats of violence and will investigate all reports. You have a responsibility to act when you are aware of a threat or risk to any Independent Stylist or employee.

#### **6d – Investigative Process**

Reported or suspected violations will be investigated following the internal procedures established by Color Street. Independent Stylists suspected of a compliance violation and any other parties who may have knowledge of the violation will be contacted by Color Street in order to attempt to determine the facts. Independent Stylists are required to respond fully, accurately, and within the time frame stated in communications from Color Street. An Independent Stylist's failure to respond to a compliance inquiry is deemed an admission of the facts known to Color Street and shall subject the Stylist to disciplinary actions, up to and including termination of the Independent Stylist Agreement.

Upon review of all the available facts and substantiation regarding the alleged violation, Color Street will determine whether the Independent Stylist will be subject to disciplinary action. Color Street will communicate its decision to the Independent Stylist via email or telephone (or both), advising of the results of the investigation and the intended corrective action, if any.

#### **6e – Appealing a Compliance Decision**

An Independent Stylist may request a review of a Compliance decision by submitting an appeal no later than 15 days following the date on which the Independent Stylist was advised of the results of an investigation. However, for an appeal to be considered, the Independent Stylist must provide relevant information that was not provided to Color Street during the initial investigation. No exceptions. Appeals will not be considered if the Independent Stylist failed to respond during the compliance investigation. In matters where the foregoing is respected, Color Street will promptly review the appeal and respond in writing to the Independent Stylist with its decision.

#### **6f – Grievances and Complaints**

When an Independent Stylist has a grievance or complaint with another Independent Stylist regarding any practice or conduct in relationship to his or her Independent Stylist Agreement, the complaining Independent Stylist should first report the issue to his or her Sponsor. If the matter cannot be resolved, it may be reported in writing to the Compliance Department. The Compliance Department will review the facts and may attempt



to assist the Independent Stylist to resolve the issue. If the issue is such that the Independent Stylist feels threatened with serious bodily harm or believes he or she is the victim of financial fraud or other criminal activity, then the Independent Stylist should first contact law enforcement authorities and file a police report. If the fraud or criminal activity is allegedly being conducted by another Independent Stylist, please notify the Compliance Department with a copy of the filing of the police report.

While we understand that Stylists are trying to help our Compliance Department by reporting non-compliance, we would appreciate it if you could (i) avoid repeat complaints, (ii) avoid personal vendettas and/or ulterior motives, and (iii) attach evidence, including but not limited to screenshots and videos, to reports when such evidence is required to further investigate the matter(s).

## **6g – Disciplinary Action**

A finding by Color Street that an Independent Stylist has committed a compliance violation may result in disciplinary action. The disciplinary action in a given case will depend on the nature and severity of the violation, the facts surrounding the violation, the degree of cooperation shown by the Independent Stylist, whether the violation was intentional or inadvertent, the Independent Stylist's compliance history, and the experience level of the Independent Stylist.

Potential disciplinary actions may include but are not limited to verbal and written warnings, temporary suspension of the Independent Stylist position, fines or other financial penalties, revocation of earned rank in the Compensation Plan, repayment of previously paid compensation that was not legitimately earned, removal of the Independent Stylist's Downline (or members thereof), and termination of the Independent Stylist Agreement and deactivation of Independent Stylist position. Independent Stylist's may be requested to acknowledge the disciplinary action in writing. Independent Stylists who commit repeated compliance violations may be required to pay cost or expenses incurred by Color Street as a result of the Independent Stylist's actions, including any settlement payments or credits to Customers, other Independent Stylists, or third parties, fines or penalties imposed by governmental agencies, attorney's fees, and investigation expense. Color Street may deduct these amounts from future compensation due to the Independent Stylist or pursue payment by other means. The appropriate disciplinary action in a given case is within the sole discretion of Color Street.

## **6h – Verbal and Written Warnings**

Warnings are a common component of a compliance process. Verbal Warnings are provided as a coaching method to help Stylists understand the violation. Written Warnings are a notification to the Independent Stylist that there was a violation of rule that occurred either a second time, or the violation was one based in a regulated activity and a verbal warning is insufficient. These notifications generally require a signature by the Stylist.

## **6i – Suspension**

Color Street may suspend payment of Compensation or suspend an Independent Stylist's position as a result of a compliance violation dependent on the severity of the violation. Color Street may also impose a temporary suspension while a compliance investigation is pending.

An Independent Stylist subject to a suspension of compensation ("commission hold") may continue to operate

their Color Street business and earn qualifications and commission but will not be paid compensation unless and until the suspension is lifted.

An Independent Stylist Business that has been suspended may not conduct any activities as an Independent Stylist, must cease promoting Color Street products and the opportunity and may not hold themselves out as an Independent Stylist until the suspension is lifted.

## **6j – Termination**

Termination of an Independent Stylist Agreement and the permanent deactivation of the Independent Stylist business position is the most severe disciplinary action to which an Independent Stylist may be subject. All rights and benefits of the Stylist, including any claim to unpaid Compensation, and all obligations of Color Street under the Independent Stylist Agreement shall cease on the date of termination. If the Independent Stylist was previously suspended, termination is retroactive to the date of such suspension. Independent Stylists that are terminated for disciplinary reasons shall not be entitled to a refund of the monthly e-suite fee and/or commissions/rebates.

## **6k – Upline Responsibility**

As mentioned in Section 3 of these Policies and Procedures, if an Independent Stylist chooses to Sponsor other Independent Stylists and establish a sales team, the Independent Stylist is responsible for ensuring that they understand and comply with the Independent Stylist Agreement. Failure to adequately train and advise your Downline or to monitor their compliance may be considered a violation.

If an Independent Stylist is found responsible for a compliance violation, any benefits earned by the Stylist's Upline, as a result of the violation, may be revoked. This includes revocation of any earned level in the Compensation Plan and withholding reversal and repayment of any Compensation due or paid to the Upline Stylist. Upline Independent Stylists may also be required to reimburse costs incurred by Color Street if Color Street is unable to recover such amounts from the Stylist who committed the compliance violation.

## **6l – Cooperation with Law Enforcement**

Color Street cooperates fully with law enforcement agencies, courts, and other governmental authorities investigating alleged violation of law by Stylists. Stylists may not be notified of requests by law enforcement or other authorities. If an Independent Stylist commits a compliance violation that Color Street believes may also violate the law, Color Street reserves the right to report the incident to the relevant authorities.

# **SECTION 7: GENERAL TERMS**

## **7a – Ethical Conduct**

As an Independent Stylist, you should be honest in the way that you interact with your clients. Honesty and integrity are important not just in business but for your affiliation with Color Street. Therefore, you must agree not to engage in any activities that may reflect negatively on Color Street's reputation or cause harm to any other Independent Stylist. You must also be careful to avoid making negative, disparaging, untrue or misleading comments about Color Street, or any of its stakeholders, including the following:

- Color Street Independent Stylists
- Color Street products
- the Compensation Plan
- the board of directors or its officers, or
- Color Street’s employees or those of its affiliates or subsidiaries

#### **7b – Participating in Another Direct Selling Program**

If an Independent Stylist is engaged in another direct selling program or business, it is the responsibility of that Independent Stylist to ensure that his or her Color Street business is operated entirely separate and apart from all other businesses and/or direct selling programs. To this end, the Independent Stylist must not:

- Display Color Street promotional materials, sales aids, or products with or in the same location as, any non-Color Street promotional material or sales aids, products or services;
- Offer the Color Street opportunity, products or services to prospective or existing customers or Independent Stylists in conjunction with any non-Color Street program, opportunity or products;
- Offer, discuss, or display any non-Color Street opportunity, products, services or opportunity at any Color Street-related Nail Bar, home party, meeting, seminar, convention, webinar, teleconference, or other function; or
- Offer or promote the products, services, or opportunity of any other direct selling program on any social media group or page used by an Independent Stylist for his or her Color Street business.

Please see *2t Competitive Selling* and *2v Non-Compete* for more information.

#### **7c – Non-Solicitation**

During the term of this Agreement and one (1) year following the termination of this Agreement, Independent Stylist agrees to not directly or indirectly (i) solicit any Color Street Independent Stylist to join, enroll or affiliate with another direct sales company; or (ii) terminate or alter the Independent Stylist’s business relationship with Color Street. In this paragraph “direct sales company” is defined to include a network marketing, multilevel marketing, party plan or social media company that sells products or services through independent sales representatives. In this paragraph, “solicit” is defined to include the direct or indirect, actual or attempted, sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, another Independent Stylist to participate in another direct selling program. This conduct constitutes a violation of this provision even if the Independent Stylist’s actions are in response to an inquiry made by another Independent Stylist. Examples of solicitation in violation of this provision include but are not limited to:

- Creating communication channels between yourself and other Independent Stylists in order to ask or entice them into joining you in some business other than Color Street;
- Creating a social media group for your other business and inviting Color Street Independent Stylists to join.
- Asking a third-party or spouse to contact an Independent Stylist on your behalf, or on the behalf of another direct selling company, in order to share with them a product or opportunity.

Attempts to recruit active Independent Stylists into another network marketing business will result in immediate suspension of the Independent Stylist business account and a full compliance investigation. If through investigation, the allegations prove to be true, the Independent Stylist Agreement will be terminated and the business account deactivated. All commissions and bonuses to be paid will be forfeited and the Independent Stylist will not be eligible to re-enroll at any future time without the specific written permission from Color Street Legal.

The term “recruit” also includes the actual or attempted sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way an Independent Stylist to participate in another network marketing or direct sales company. The term also includes general solicitations in social media where “friends” include persons who are Color Street Independent Stylists.

Independent Stylists and Color Street recognize that because network marketing is conducted through networks of independent contractors dispersed across the entire United States and Internationally, and because business is commonly conducted via the Internet and telephone, an effort to narrowly limit the geographic scope of this non-solicitation provision would render it wholly ineffective. Therefore, Independent Stylists and Color Street agree that this provision shall apply to all marketing in which Color Street conducts business.

A violation of any of the provisions in this section shall constitute unreasonable and unwarranted contractual interference between you and the Company and would inflict irreparable harm on Color Street, LLC. In such event, the Company may, at its sole discretion, impose any sanctions it deems necessary and appropriate against such Independent Stylist or Independent Stylist’s business, including termination, or seek immediate injunctive relieve without the necessity of posting a bond.

#### **7d – Conflicts**

Unless an exception is made by an officer of Color Street, the Company does not permit any person who is a principal of another direct selling company to become an Independent Stylist or to serve as an Independent Stylist. For the purposes of this Section, we will take “principal” to mean any of the following:

- A corporate employee who is a director, an officer, or an executive of another direct selling business; or
- Any person who is the sole proprietor, a general partner, or an owner of 10% or more of any outstanding stock in any business entity that conducts sales through a direct sales channel or controls, shares control, or is controlled by any business entity that earns its revenue by selling directly to consumers.
- Color Street reserves the right to reduce an Independent Stylist’s freedom to participate in Color Street events if that Independent Stylist or a member of their immediate household is an employee of another direct selling company.

#### **7e – Targeting the Sales Force of Another Direct Sales Company**

Color Street does not condone or approve of Independent Stylists specifically or consciously targeting the sales force of another Direct Sales Company. If any lawsuit, arbitration or mediation is brought against an Independent Stylist by a third party because their method of recruiting is or appears to involve inappropriate recruiting methods that unscrupulously entice members of its sales force or customers, or in any way violated their contract with the third party, Color Street will not pay any of the Independent Stylist’s defense costs or legal fees. Color Street will also not indemnify or compensate any person for any judgment, award, or settlement made against the Independent Stylist.

If the third party brings or threatens legal action against Color Street based on the conduct of the Independent Stylist, the Independent Stylist agrees to declare Color Street uninvolved in any wrongdoing and fully indemnify Color Street for all costs, expenses, attorney’s fees and damages incurred as a result of such third-party action.

## 7f – Business Entities as Independent Stylists

Business Entities may enroll as Independent Stylists by completing the Independent Stylist Agreement. “Business Entity” means a corporation, partnership, Limited Liability Company, trust or other entity that owns or operates a Color Street independent business. An “Affiliated Party” is an individual, partnership, trust, Limited Liability Company, or other entity that has an ownership interest in, or management responsibility for, a Business Entity, or is employed by the Business Entity in furtherance of the Business Entity’s operation of an independent Color Street business. Only one person may be listed as the Independent Stylist on the account of a Business Entity at any given time.

If a Business Entity enrolls as an Independent Stylist, the Business Entity and each Affiliated Party must comply with the Independent Stylist Agreement. If a Business Entity and/or any Affiliated Party violates the Agreement, Color Street may take disciplinary action against the Business Entity and/or against any of the Affiliated Parties.

**Dissolution of a Business Entity:** Color Street is not able to divide commissions among multiple parties, nor is it able to divide a Downline organization. Consequently, the independent Color Street business must be awarded to a single individual that was previously listed as the Independent Stylist on the account of the Business Entity.

## 7g – Limitations on Independent Stylists and Household Businesses

At any given time, an individual is allowed to own, operate, control, or have an interest in only one (1) Color Street business. No matter what kind of entity the Independent Stylist business has been registered as, and no matter what relationship each Independent Stylist bears to another, restrictions exist regarding the degree to which each can be involved in the business affairs of any other Independent Stylist businesses owned or operated by each person.

No more than two (2) Independent Stylists may have the same home address, or one (1) Independent Stylist is allowed to have another Independent Stylist in their immediate family only if each Independent Stylist runs their business *entirely independently* of that other Independent Stylist. This would include, but is not limited to the following:

- Separate credit cards to be used by each Independent Stylist account for enrollment, eSuite and all product purchases,
- Different emails and phone numbers to be used on the Independent Stylist’s accounts,
- Social Media VIP groups, pages, and promotions are to be separate with no dual Administrative functions,
- Once customers are acquired and assigned, there is no sharing of customer sales between the accounts,
- Attendance at Vendor events may be operated together, but all business done must be evenly distributed to the two Independent Stylist accounts and sales documentation provided to Color Street to support the sales entered.

Other limitations on Independent Stylist and Household Businesses include:

- **Marriage/Statutory Domestic Partnership:** If, after having established their own individual Independent Stylist affiliations to Color Street, two (2) Independent Stylists marry or enter into a statutory domestic partnership, they may continue to operate their existing Independent Stylist positions.

- **Divorce:** Color Street is not able to divide commissions among multiple parties, nor is it able to divide a Downline organization. Consequently, in divorce cases, any settlement or divorce decree must award the business in its entirety to the person that was previously listed as the Independent Stylist on the account.
- **Death:** In the event of death of an Independent Stylist, the rights and responsibilities of the Independent Stylist position may not be passed on. This includes Independent Stylists who formed business entities.
- **Disability:** Should you become disabled to the extent that you can no longer fulfill the required duties, the Independent Stylist Agreement shall terminate.
- **Sale or Transfer:** You may not sell or transfer your Color Street business.

## 7h – Actions of Household Members

If a family member who lives in the same household of an Independent Stylist does something that violates the Independent Stylist Agreement, including failure to adhere to these Policies and Procedures, such activity will be deemed a breach by the Independent Stylist and Color Street may terminate the Independent Stylist Agreement and/or seek other appropriate remedies against such Independent Stylist as determined by Color Street in their sole discretion. In appropriate circumstances and dependent upon the violation, Color Street may elect to first provide notice to the Independent Stylist allowing time to cure the breach prior to further action.

## 7i – Bank Accounts

As an Independent Stylist, you do not have permission or the right to use the trademark or trade name “Color Street” on bank accounts, credit applications with local suppliers, or any other business forms. Checking accounts can simply be called “Business Accounts”. However, if you need to list a business name, you are permitted to use your name and the title “Color Street Independent Stylist”. This guideline has been included in order to avoid misleading others into believing that an Independent Stylist’s business is the same as the Home Office or that the Independent Stylist is an employee or representative of the Home Office.

## 7j – Third Party Consumers

If, as an Independent Stylist, you locate and nurture certain business contacts, it is important that you remember that Color Street is a direct-to-consumer sales organization. An Independent Stylist cannot become a “vendor” to another business. This means that even though a third party or a company can purchase Color Street products as gifts for its employees or clients, there may not be a resale value attached to the products. In accordance with this, sales of large amounts of Color Street products to regional or national companies are prohibited. Such large companies that sell large volumes of product to large numbers of people make it difficult to achieve the development of personal relationships and personal service upon which Color Street’s business model is based.

## 7k – Third Party Claims

In the event of any allegation or actual or threatened claims or lawsuit brought or made against an Independent Stylist by a third party arising from or relating to Color Street, Color Street products, the Color Street Opportunity, Color Street Intellectual Property, an individual’s conduct as an Independent Stylist, or the independent business operated by an Independent Stylist, the Independent Stylist must advise Color Street in writing immediately prior to taking any action that may damage Color Street or limit Color Street’s ability to

respond to the issue. Color Street may take whatever action it deems appropriate including but not limited to, controlling any litigation or settlement discussions, to protect itself, its reputation, and its tangible and intangible property. Independent Stylists agree to cooperate in good faith with Color Street in responding to any allegation, claim, or suit and agree to take any action related to any allegation, claim or suit without Color Street's prior consent.

#### **7l – Indemnification**

Independent Stylists agree to indemnify Color Street for all costs, expenses, consumer reimbursements, fines, sanctions, damages, settlements or payments of any other nature that Color Street incurs resulting from or relating to any act or omission by Independent Stylist that is illegal, fraudulent, deceptive, negligent, unethical, or in violation of the Independent Stylist Agreement. Color Street may elect to exercise its indemnification rights by withholding any compensation due the Independent Stylist. This right of setoff shall not constitute Color Street's exclusive means of recovering or collecting funds due Color Street pursuant to its right to indemnification.

#### **7m – Assignment and Delegation by Color Street**

Color Street shall not assign its rights in the Independent Stylist Agreement of any individual Independent Stylist to any third party without the written consent of the Independent Stylist. Notwithstanding the foregoing, if the assets of Color Street, or a controlling ownership interest in Color Street, are transferred to a third party, Color Street may assign its rights and delegate its duties and obligations under the Stylist Agreement to such third party as part of the sale or transfer.

#### **7n – Enforcement of Judgment, Garnishments, Support Orders, Federal Tax Liens, etc. against an Independent Stylist.**

The Company will honor enforceable court orders, garnishments, support orders, etc. that have been properly registered in the jurisdiction where the Company is headquartered or registered to do business as an out of state corporation. The Company will also honor any enforceable Federal Tax Lien.

#### **7o – Subpoena and Demands for Records.**

Assuming proper jurisdiction, the Company will comply with all subpoena duces tecum demanding financial compensation records of an Independent Stylist in his/her capacity as an independent contractor with the Company. The Company will comply fully with all requests for records accompanied by a properly prepared and signed authorization by the person whose records are being sought. The Company will comply fully with all requests for records by government agencies with the authority to request such records and accompanied by the requisite legal documentation.

#### **7p – Dispute Resolution**

If any dispute regarding these Policies and Procedures arises, it will be resolved in accordance with the terms and conditions of the Independent Stylist Agreement.