

**ITEM 6. OTHER FEES**

<b>TYPE OF FEE <sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty <sup>2</sup>	Monthly payment: \$300 - months 1-6 \$700 - months 7-12 \$1,100 - months 13-24 \$1,500 – months 25–36 \$2,000 from then on	Funds drawn on the 15 <sup>th</sup> of the month, in advance.	May be increased on April 1 annually by CPI
National Advertising Fund Payment	Monthly payment: \$1,000 until we have 1,500 territories. \$1,500 from then on	Same as royalty	Same as royalty
Technology Fee	Currently \$250 per territory, may be adjusted	Same as royalty	Intended to partially reimburse us for costs of technology platforms and tech support.
Training for Additional Personnel	First 2 attendees are free. We may charge up to \$150 per day for additional attendees, plus travel, accommodation and meals.	One week before training begins. Travel, accommodation and meals are due as required by service providers.	
Additional Territory Fee	An amount equal to the then-current Initial Territory fee if you buy an additional territory in the future.	When you purchase additional Territories	Availability of additional territories is at our discretion.

<b>TYPE OF FEE <sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Key Account Referral Fees <sup>3</sup>	We negotiate each program individually with the Key Account.	No more often than monthly.	We may charge you referral fees or a percentage of the job in exchange for Key Account leads. You may opt out of servicing any Key Account.
Encroachment Payment	100% of your gross sales in another franchisee's territory.	When you make sales in another franchisee's territory in violation of your franchise agreement.	As an alternative to termination of your franchise for operating in another franchisee's territory.
Fees on Transfer <sup>4</sup>	If selling to a new franchisee, \$19,950 initial franchise fee with first territory \$5,000 transfer fee for each additional territory. If selling to an existing franchisee, \$5,000 transfer fee per territory.	Before transfer	Payable when you sell your franchise. No charge if your franchise is assigned to a corporation or similar entity that you control.
Transfer Lead Referral Fee	Our then-applicable transfer lead referral fee, currently \$15,000 plus the amount of any broker fees that we must pay a third party (not an employee of ours).	On a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you and the buyer began discussing a sale.	Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.
Renewal Fee	\$5,000	When you sign a renewal franchise agreement.	

<b>TYPE OF FEE <sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Insufficient or Late Payment Fee	\$300	On due date of Royalty, National Advertising Fee and Technology Fee, if payment not made in full	Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.
Meeting Attendance and Required Training	As determined by us, but generally \$100 to \$1,000 depending on venue and mode of delivery. We reserve the right to charge a non-attendance fee.	By registration date.	Attendance at National Convention and certain meetings is mandatory. See Item 11.
Audit	Cost of inspection or audit.	Upon demand.	If audit required due to your failure to report or your records and procedures are insufficient to determine your revenues or Product purchases or Product purchases from unapproved vendors exceed 10% of your Product purchases, you must pay all costs of audit.
Insurance	You must reimburse our costs.	Upon demand.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.

<b>TYPE OF FEE <sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Costs and Attorneys' Fees	Varies	Upon demand.	If you breach the franchise agreement and we prevail in any arbitration or litigation, you will owe us our reasonable attorneys' fees and costs.
Indemnification	Varies	Upon demand.	You must reimburse us for costs and expenses related to certain claims against us.

1. All fees are imposed and collected by and payable to us. Upon our written request, you must sign any document we require to authorize us to withdraw continuing royalties, national advertising fees and any other ongoing fees directly from your bank account. All fees are non-refundable. All fees in our current offering are uniformly imposed, however, during 2020, in an effort to help franchisees weather the economic downturn presented by COVID-19, for royalties due during the period April 1, 2020 through January 31, 2021, we offered to revise the royalty provisions of the franchise agreement such that franchisees were only required to pay a percentage of their gross revenue actually generated from the Franchised Business instead of the flat amount set forth in the franchise agreement but in no event more than such flat amount.
2. If you purchase your business from an existing BUDGET BLINDS® franchisee, you will pay the royalty paid by the former franchisee instead of the amount described in this section. Your royalty payment will thereafter increase according to the schedule in the "Amount" column.  
  
No phase-in will apply upon a renewal.
3. Although the amount may vary, you may be required to pay a fee or a percentage of the job for lead referrals. Lead referral fees vary from program to program.
4. If you are selling to a new franchisee, the initial franchise fee of \$19,950 is for the full Start-Up Package (i.e., van wrap, samples, etc.) and initial training.

**ITEM 7. ESTIMATED INITIAL INVESTMENT****YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee <sup>1</sup>	\$19,950	Lump sum or financed	When you sign the franchise agreement	Us
Initial Territory Fee <sup>2</sup>	\$70,000	Lump sum	When you sign the franchise agreement	Us
Travel and Living Expenses While Training <sup>3</sup>	\$250 - \$500	As incurred	During Training	Restaurants
In-Person Training for Additional Personnel (per person) <sup>4</sup>	\$0 - \$150	Lump sum	One week before training begins	Us
Office/Work Space <sup>5</sup>	Varies	As incurred	As incurred	Landlord or other supplier
Vehicle <sup>6</sup>	\$10,000 - \$48,000	Lease or finance	Upon opening	Vehicle lessor or dealer
Computer Equipment <sup>7</sup>	\$1,500 – 2,500	Lease, finance or lump sum	Upon acquisition	Vendor
Credit Card Processing Technology	\$30 - \$500	Lease, finance, or lump sum	Upon opening	Vendor
Auto Insurance <sup>8</sup>	\$500 - \$2,400	Lump sum or monthly installments	Before opening and during the year	Insurance company or broker
Commercial general liability insurance <sup>9</sup>	\$500 - \$2,400	Lump sum or monthly installments	Before opening	Insurance company or broker

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Contractor's License and Bond <sup>10</sup>	\$0 - \$1,500	Lump sum	As required by applicable law	Bonding or insurance company, Government agencies
Professional Fees	\$750 - \$3,500	As negotiated	Before opening	Professional Advisers
Initial Marketing	\$10,000 - \$15,000	As incurred	During first 3 months	Media, agencies
Additional Tools and Supplies <sup>11</sup>	\$100 - \$1,500	Lump sum	Before opening	Vendor
Additional Funds – Before Opening and First 3 Months <sup>12</sup>	\$12,000 - \$25,000	As incurred	As incurred	Various
<b>TOTAL ESTIMATED INVESTMENT FOR SINGLE TERRITORY</b>	<b>\$125,580 - \$192,900</b> <b>(Does not include Office/Workspace Costs)</b>			

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

1. Payable only with your first franchise agreement. The Initial Franchise Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States armed forces, as more particularly described in Item 5.
2. If you are buying your Territory from us rather than from an existing franchisee, when you sign a franchise agreement, you must pay us either (a) an Initial Territory Fee of \$70,000, or (b) an Additional Territory Fee of \$70,000 or, (c) if you are buying your first two territories simultaneously, an Initial Territory Fee of \$70,000 and a discounted Additional Territory Fee of \$60,000, for a total of \$130,000. If you buy a second territory at a later time, the Additional Territory Fee is equal to the then-current Initial Territory fee. The Initial Territory Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5.
3. Training consists of a combination of up to 14 days of in-person Academy training at the HFC Experience Center in Coppell, Texas as well as pre- and post-Academy training that is conducted virtually and/or online. Especially during COVID-19, the mode of delivery of training

is subject to change. For the in-person Academy training, we will pay up to the aggregate amount of \$500 for airfare for you and one other person to attend Academy training. We will also pay for one hotel room (but not any charges to your room for telephone, internet and similar expenses) of our choice for you or your manager. You must pay any additional costs of transportation, lodging and meals that you and your employees incur during Academy training as well as any wages of your employees for their time during training.

4. Additional attendees will be admitted only if space is available. Any additional attendees must complete all class requirements.
5. If you decide to obtain an office/workspace outside of your home, or if you choose to operate from a retail location, your initial investment will be higher depending on real estate or leasing marketing conditions in your area. Generally, most office/workspace locations are approximately 500 – 1,200 ft<sup>2</sup> and are located in a strip mall, or other commercial building.
6. This is a new or used white commercial-grade cargo van, extended van, or mini-van type vehicle on which the BUDGET BLINDS® Marks are placed. The vehicle may be bought or leased but you should not purchase your vehicle for cash unless you will still have at least that same amount available as additional working capital to operate your business. We give you the wrap as part of the start-up package and you pay to have it installed on your vehicle by a vendor of your choosing. From time to time your affiliation with HFC may allow for discounts on these vehicles and our recommendation is to check with your Regional Operations Manager before purchasing or leasing.
7. If a laptop is selected, a minimum 14 inch screen with high resolution is recommended. Windows operating system is required for compatibility with required software.
8. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$1,000,000. We must be named as an additional insured.
9. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$2,000,000. We must be named as an additional insured.
10. A contractor's license and bond are required only in states that require a contractor's license.
11. As part of the Start-up package, we give you some product samples and sample books from selected suppliers at no additional charge. We only provide a Start-up package if you are purchasing your first territory from us or an existing franchisee. We do not provide additional samples and sample books when you sign a subsequent franchise agreement. If you want more or additional sample books from other approved suppliers or samples of other products, you must obtain them from the supplier.
12. This category estimates an additional cash reserve available to cover initial operating

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

## **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The following is historical financial information concerning the reported annual sales of a subset of our existing outlets, namely those franchisees who reported gross sales and who were open for business for all of calendar year 2020 (292 single territory franchisees, 147 two territory franchisees representing 294 territories, and 59 three or more territory franchisees, representing an aggregate total of 207 territories).

### **A. Annual Sales Levels**

The following table shows annual gross sales reported by franchisees with a single territory, with two territories, and with three or more territories, that were in business throughout calendar year 2020 and who reported sales for the full year. These franchisees represent 67% of the franchisees who were open for all of calendar 2020. Figures for franchisees that had two or more territories are total sales for all territories – not average per territory – and if a franchisee's additional territory opened during 2020, the total sales do not represent a full year of sales for the additional territory. All gross sales figures are presented without regard to the size of the territory. Although we currently grant territories that are at least 30,000 households, not all territories are that size. These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

During 2020 there were 292 reporting franchisees who operated a single territory throughout the year, 147 franchisees reporting franchisees who operated two territories throughout the year, and 59 franchisees who operated three or more territories throughout the year. The average number of territories owned by these franchisees was 4.

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

<b>MEASURE</b>	<b>2020</b>	<b>2019</b>	<b>EXPLANATION</b>
Average Sales – One Territory	\$697,019	\$602,415	Equals total sales by all franchisees owning one, two, or three or more territories, divided by the number of franchisees with that number of territories. <sup>1</sup>
Average Sales – Two Territories	\$1,191,624	\$1,173,332	

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Average Sales – Three or More Territories	\$2,412,086	\$2,115,218	
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Median Sales – One Territory	\$525,826	\$450,000	Shows mid-point of annual sales by franchisees with indicated number of territories. <sup>2</sup>
Median Sales – Two Territories	\$982,053	\$852,500	
Median Sales – Three or More Territories	\$1,931,962	\$1,750,000	
75 <sup>th</sup> Percentile – One Territory	\$873,247	\$736,653	Reported sales by the 75 <sup>th</sup> percentile of franchisees; only 25% of franchisees reported sales higher than this level
75 <sup>th</sup> Percentile – Two Territories	\$1,311,498	\$1,280,500	
75 <sup>th</sup> Percentile – Three or More Territories	\$2,705,350	\$2,259,586	
Average Sales of Middle 50% - One Territory	\$562,930	\$480,320	Equals the mean (average) annual gross sales of those franchisees whose reported sales levels fell between the top 25% and the bottom 25%. <sup>3</sup>
Average Sales of Middle 50% - Two Territories	\$955,611	\$888,506	
Average Sales of Middle 50% - Three or More Territories	\$1,935,968	\$1,759,592	

25 <sup>th</sup> Percentile – One Territory	\$373,849	\$338,228	Reported sales by the 25 <sup>th</sup> percentile of franchisees; only 25% of franchisees reported sales lower than this level.
25 <sup>th</sup> Percentile – Two Territories	\$612,072	\$615,080	
25 <sup>th</sup> Percentile – Three or More Territories	\$1,242,096	\$1,200,000	

1. Of our franchisees reporting and in operation for all of 2020, 100 or 34% of the franchisees with a single territory, 49 or 33% of the franchisees with two territories, and 18 or 31% of the franchisees with three or more territories had total annual sales that equaled or exceeded the mean sales figure stated. The lowest amount reported for a single territory franchisee was \$97,918 and the highest was \$5,414,308. The lowest amount reported for franchisees with two territories was \$194,056 and the highest was \$6,950,000. The lowest amount reported for franchisees with three or more territories was \$448,037 and the highest was \$8,041,337.
2. One-half of all franchisees in each category had greater sales than the median figure, and the other half had lower sales.
3. The calculation of this average disregards the franchisees that had sales lower than the 25<sup>th</sup> percentile or higher than the 75<sup>th</sup> percentile.

## B. COVID-19

Total system sales for the year ended December 31, 2020 were up 10% compared to the year ended December 31, 2019. The table below shows year over year gross sales variances by month on a same owner basis. As indicated, sales declined in March through May 2020 due to COVID-19 but rebounded in June and continued at a robust pace through the rest of the year.

	Jan	Feb	Mar	Apr	May	Jun
<b>Total 2020</b>	\$29,830,803	\$34,828,509	\$26,429,745	\$18,005,184	\$31,895,024	\$42,257,713
<b>Total 2019</b>	\$27,936,979	\$29,819,590	\$31,453,644	\$31,620,286	\$34,889,252	\$32,194,947
<b>\$ Var.</b>	\$1,893,824	\$5,008,919	(\$5,023,900)	(\$13,615,103)	(\$2,994,228)	\$10,062,766
<b>% Var.</b>	6.8%	16.8%	-16.0%	-43.1%	-8.6%	31.3%

	Jul	Aug	Sep	Oct	Nov	Dec	YTD <sup>3</sup>
<b>Total 2020</b>	\$41,271,918	\$39,702,082	\$26,881,015	\$39,742,122	\$33,745,463	\$33,830,678	\$189,296,747
<b>Total 2019</b>	\$33,254,207	\$33,221,862	\$21,128,098	\$33,958,978	\$27,983,845	\$22,108,068	\$172,085,628
<b>\$ Var.</b>	\$8,017,712	\$6,480,220	\$5,752,917	\$5,783,144	\$5,761,618	\$11,722,610	\$17,211,120
<b>% Var.</b>	24.1%	19.5%	27.2%	17.0%	20.6%	53.0%	10.0%

The data below are as reported by a subset of franchisees who responded to a survey that we conducted in February 2021 asking about their experiences during 2020. The survey was sent to all our franchisees, and franchisees representing 70% of territories open for all of calendar 2020 returned fully completed surveys. The questions asked as part of the survey and the results are described below.

### C. COVID-19 Voluntary or Mandatory Temporary Shutdowns

As part of the survey, we asked our franchisees to report the number of months their business was shut down due to COVID-19. The average of all responses was one month. Some franchisees did not close down at all, however, several franchisees closed down for two to three months or more, with two for six months.

### D. Cost of Goods Sold

As part of the survey, we asked our franchisees to report their experiences concerning average cost of goods sold (that is, the cost to franchisees of window coverings sold by the franchisees) as a percentage of the price at which the franchisees sold those same window coverings to their customers. According to that survey, the average cost of goods sold was 46% of the gross (retail) sales price. We have not independently verified this amount, but that figure is consistent with information concerning suggested mark-ups taught to franchisees in our training class. Your cost of goods sold may vary from this average, depending upon the number and nature of competitors in your area, the prices at which they sell similar window coverings, your abilities and efforts, and other factors.

In addition to the cost of goods sold, you will also incur other expenses that are not included in this calculation, such as monthly payments (lease or financing) for the required van, labor costs for anyone you hire, rent for office/warehouse space (especially if you do not work out of your home), telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, state and local taxes, and financing expenses (see Item 10) if you finance any part of your investment. You may also incur other expenses, depending upon the manner in which you operate the business. You should consult with your advisors and with other business owners concerning the other types and amounts of expenses you will incur.

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<sup>3</sup> Monthly numbers reflect year over year changes for only that month's "same store sales" ("SSS") while the YTD number reflects the year over year changes for SSS for the entire year. For this reason, the months do not sum across as each month stands on its own but the full year numbers reflect SSS for all 12 months for both 2019 and 2020.

## **E. Closing Rate**

As part of the survey referred to above, we also asked our franchisees about their “closing rate” (that is, the number of sales calls that result in an actual sale). The average closing rate was 68%. We have not independently verified this amount. Your closing rate may vary from this average, depending upon how well you follow our system, the number and nature of competitors in your area, the prices at which your competitors sell similar window coverings, your abilities and efforts, and other factors. We offer substantially the same services to all franchisees. Additionally, all literature and marketing materials we have developed are available to all franchisees. A franchisee is not limited in the amount or type of efforts it may make to sell window coverings. However, these actions must comply with the standards and guidelines we have outlined in the Manual, Handbook or otherwise. Consequently, your annual gross sales, sales per transaction, expenses, and closing rate may be directly affected by the amount, type, and effectiveness of the business development efforts you conduct.

## **F. Employees**

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

<b>EMPLOYEES</b>	<b>% FRANCHISEES</b>
Sole owner/operator	13
Partnership including with spouse	12
1 additional employee	21
2-5 additional employees	40
6-10 additional employees	10
Over 10 additional employees	4

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

<b>POSITION</b>	<b>% ADDITIONAL EMPLOYEES</b>
Installers	42
Salespersons	26
Administrators	19
Management	13

## **G. Office Locations**

As part of the survey we asked our franchisees where their office was located and received the following responses:

<b>LOCATION</b>	<b>% FRANCHISEES</b>
Home office	52
Showrooms	19
Commercial Warehouse	17
Commercial Office	12

## **H. Years In Business**

As part of the survey we asked our franchisees how long they had operated their Franchised Businesses and received the following responses:

<b>YEARS IN BUSINESS</b>	<b>% FRANCHISEES</b>
1-2	22
3-4	13
5-6	13
7-9	16
10+	36

## **I. Repeat or Referral Customers**

As part of the survey we asked our franchisees about their repeat or referral rate of business. An average of 38% of customers were repeat or referral customers.

## **J. Residential vs. Commercial Sales**

As part of the survey we asked our franchisees about their percentage of residential versus commercial sales and received the following responses:

	<b>% FRANCHISEES</b>
Residential New Construction Home Sales	33

Residential Existing Home Sales	56
Commercial Sales	11

**K. Average Number of Work Vehicles**

We asked our franchisees how many vans or work vehicles they operated in their business.

The average of all responses was 3.

**Some franchisees have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.**

Written substantiation for this financial performance representation will be made available to you upon reasonable request.

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

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