

FRANCHISE DISCLOSURE DOCUMENT



Hair Saloon Franchise Company
A Delaware Corporation
1846 Craig Park Court
St. Louis, Missouri 63146
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The franchisee will establish and operate a premium brand hair cutting unit primarily oriented towards providing hair care services to men and boys.

The total investment necessary to begin operation of a Hair Saloon franchise is between \$302,900 to \$447,250. This includes the \$35,000 Initial Franchise Fee and an estimated \$10,000 for an initial supply of products and equipment that must be paid to the franchisor or its affiliates. If you enter into a Multi-Unit Development Agreement, you will pay the franchisor a Development Fee equal to the Initial Franchise Fee for each of the Franchised Businesses to be developed.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Thomas H. Twellman at Hair Saloon Franchise Company, 1846 Craig Park Court, St. Louis, Missouri 63146, (314) 576-7300.

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

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

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

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How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchise *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and arbitration only in Missouri. Out-of-state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with the franchisor in Missouri than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liability for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

**HAIR SALOON FRANCHISE COMPANY
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

Hair Saloon Franchise Company (“we”, “us” or “our”) was incorporated in the state of Delaware on February 26, 2001, and maintains its principal place of business at 1846 Craig Park Court, St. Louis, Missouri 63146. We conduct our business under our corporate name only. We were organized for the purpose of offering franchises for businesses which operate premium brand hair cutting units primarily oriented towards providing hair care services to men and boys (the “**Franchised Business**”). We do not own or operate businesses of the type being franchised, although, as indicated in this Item, our affiliate does. We do not offer franchises in any other line of business.

Our agents for service of process are listed in Exhibit B.

Our Parent, Predecessors and Affiliates

We do not have any predecessors. We are a subsidiary of Hair Saloon Holdings, Inc. (“**H.S. Holdings**”), a Delaware corporation located at our principal place of business. On November 14, 2001, H.S. Holdings merged with Hair Saloon, Inc., a corporation organized in the State of Missouri on March 14, 1996. As a result of the merger, H.S. Holdings acquired the Proprietary Marks (defined below) from Hair Saloon, Inc. Since that time, H.S. Holdings has licensed to us the right to use the Proprietary Marks. H.S. Holdings does not conduct businesses of the type our franchisees will operate. H.S. Holdings does not and has never offered franchises in this or any other line of business.

We are an affiliate of Hair Saloon Products Company (“**H.S. Products**”), a Delaware corporation located at our principal place of business. Since 2001, H.S. Products has designed and sold (through the use of third party fulfillment agents) a variety of proprietary merchandise (including hair care products) identified with the Proprietary Marks for both use and sale to customers at the Franchised Business (“**Hair Saloon Products**”). H.S. Products does not conduct businesses of the type franchisees will operate. H.S. Products does not and has never offered franchises in this or any other line of business.

We are an affiliate of H.S.I., LLC (“**HSI, LLC**”), a Missouri corporation located at our principal place of business. Since 1996, HSI, LLC has owned and operated the Affiliate-Owned Hair Saloon businesses described in Item 20 and listed as “**Affiliate-Owned Saloons**” on Exhibit F. Each of the Affiliate-Owned Saloons is the type of businesses that our franchisees will operate. HSI, LLC does not and has never offered franchises in this or any other line of business.

The Franchise Offered

When we use “you” or “your” in this disclosure document, it means the person, partnership, limited liability company or corporation that signs a franchise agreement for a Franchised Business (“**Franchise Agreement**”). If you are a corporation, partnership or limited liability company, “you” and “your” also means the shareholders of the corporation, partners of the partnership or members and managers of the limited liability company, and their spouse, where applicable, who must sign the personal guaranty.

If we approve you as a franchisee, you may sign a Franchise Agreement to establish and operate the Franchised Business as a premium brand hair cutting unit primarily oriented towards providing services to men and boys according to our established system (“**System**”). The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings designed to appeal to men of all ages; uniform standards, specifications, and procedures for

operations; quality and uniformity of hair care services provided by licensed cosmetologists and barbers; advertising and promotional programs; copyrighted materials; the sale of the Hair Saloon Products, and other products sold to franchisees from approved suppliers for both use at, and the sale to customers from, the Franchised Business (“**Approved Products**”). Any and all aspects of the System may be changed, improved, and further developed from time to time. The Franchise Agreement allows you to use our trademarks, trade name, service mark, and commercial symbols we may designate from time to time for use in the operation of the Franchised Business, including the trade name “Hair Saloon” (“**Proprietary Marks**”). You must conduct the Franchised Business according to our Confidential Operations Manuals and other manuals and instructional materials that we create in the future for use in the System (“**Manuals**”). You must offer only those services and sell only those items and products which we specify, and in the manner we specify. You must purchase all Hair Saloon Products from H.S. Products (or its designated agent), and you must purchase equipment and Approved Products only from third party suppliers which meet our specifications and which we have approved in advance.

The market for the services and products the Franchised Business will offer is well-developed, although we believe our approach towards marketing such services and products is somewhat different from the approaches used by most of our competition. You will compete with barbershops, full-service hair salons and unisex family haircutting establishments.

The Multi-Unit Development Agreement

We also offer a multi-unit development agreement (the “**Multi-Unit Development Agreement**”) to qualified, multiple unit operators (“**Developers**”), who will commit to developing a minimum of two (2) Franchised Businesses. If we approve you as a Developer, you may sign a Multi-Unit Development Agreement to establish an agreed-upon number of Franchised Businesses within a specified area (the “**Development Area**”). Each Franchised Business will operate under the terms of a separate Franchise Agreement. You must obtain site authorization for each Franchised Business, and establish Franchised Businesses under a development schedule that we will include as an exhibit to the Multi-Unit Development Agreement (the “**Development Schedule**”).

The Franchise Agreement for the first Franchised Business to be developed under the Development Schedule will be in the form attached as an exhibit to the Multi-Unit Development Agreement. The Franchise Agreement for each other Franchised Business you develop will be in the form of the Franchise Agreement we are offering to new franchisees under the System in your Development Area when you exercise your development rights.

Industry-Specific Regulations

Given that the focus of the Franchised Business is upon providing hair care services primarily to men and boys, you must comply with all applicable licensing laws and regulations for both barbers and/or cosmetologists, and for business premises that offer barber and/or cosmetologist services. You also must comply with all local, state, and federal laws that apply to service establishments, including employment, discrimination, health and safety laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits and licenses and operational licenses. You should consult with your attorney concerning these and other local laws and ordinances that may affect your operation of the Franchised Business.

ITEM 2
BUSINESS EXPERIENCE

Founder and Chairman - Thomas H. Twellman

Mr. Twellman, Sr. is our Founder and as of January 2023, is our Chairman. Prior to that time, Mr. Twellman was our President since our formation. Mr. Twellman, Sr. is the Founder and as of January 2023, is Secretary of H.S. Holdings. Prior to that time, Mr. Twellman was the President since its formation. Mr. Twellman, Sr. is a Member of our affiliate HSI, LLC since its formation. Mr. Twellman, Sr. is a Member of H.S. Products since its formation.

President and CEO - Thomas H. Twellman, Jr.

Mr. Twellman, Jr. is our President and CEO as of 2023. Prior to that time, Mr. Twellman, Jr. was our Chief Operating Officer since October 2015. Mr. Twellman, Jr. is the CEO and President of H.S. Holdings since January 2023. Mr. Twellman, Jr. is the Manager of HSI, LLC since January 2023. Mr. Twellman, Jr. is the Manager of H.S. Products since January 2023.

Vice President of Finance/HR - Jean M. Jones

Ms. Jones has been our Vice President of Finance/HR since 2023. Prior to that, she was our Chief Financial Officer from October 2015 to 2023. From the date of our founding until September 2015, Ms. Jones was our Comptroller.

Chief Talent Officer - Alicia T. Noddings

Ms. Noddings has been our Chief Talent Officer since January 2024. Prior to that time, Ms. Noddings was Professor of Education, Associate Dean of Education at Missouri Baptist University in St. Louis, MO from August 2013 until January 2024.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this disclosure document.

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this disclosure document.

ITEM 5
INITIAL FEES

Initial Franchise Fee

You must pay to us an initial franchise fee (“**Initial Franchise Fee**”) of \$35,000 upon execution of the Franchise Agreement. If, however, you enter into a Multi-Unit Development Agreement, then the Initial Franchise Fee for your second Franchise Agreement under the Multi-Unit Development Agreement will be \$20,000, and the Initial Franchise Fee for your third and each additional Franchise Agreement under the Multi-Unit Development Agreement will be \$10,000.

We participate in the International Franchise Association's VetFran program. Under this program, a veteran of the U.S. Armed Services who has been honorably discharged and who has had at least one year of active service may receive a 10% reduction on the Initial Franchise Fee.

The Initial Franchise Fee is fully earned when paid by you and not refundable under any circumstances.

Initial HS Product Purchases

You will be required to purchase your initial inventory of Hair Saloon Products and certain furniture, fixtures and equipment from H.S. Products prior to the opening of your Franchised Business. The cost of this initial purchase requirement is estimated at \$10,000. This cost is not refundable to you under any circumstance.

Development Fee

A Developer must pay us a development fee in a lump sum upon the signing of the Multi-Unit Development Agreement ("**Development Fee**"). The amount of the Development Fee will depend on the number of Franchised Businesses to be developed under the Multi-Unit Development Agreement, and will be equal to the Initial Franchise Fees due for the Franchised Businesses the Developer will develop under the Multi-Unit Development Agreement. For each Franchised Business that the Developer timely opens in accordance with the Development Schedule, we will credit against the Initial Franchise Fee due for that Franchised Business the portion of the Development Fee attributable to that Franchised Business. The Development Fee is not refundable under any circumstances.

For example, if the Developer enters into a Multi-Unit Development Agreement to develop 3 Franchised Businesses, the Development Fee will be \$65,000, representing the total Initial Franchise Fees payable for all 3 Franchised Businesses (\$35,000 + \$20,000 + \$10,000). At the time the Developer signs the Multi-Unit Development Agreement, the Developer will pay the \$65,000 Development Fee and sign the Franchise Agreement for the first Franchised Business to be developed under the Development Schedule.

Except as otherwise described above, all fees are payable in lump sum.

ITEM 6 **OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales. ¹	Weekly on each Tuesday of the following week ²	
Local Promotional Expenditures	Not less than 3% of weekly Gross Sales. ³	As incurred	You will spend not less than 3% of your weekly Gross Sales on local promotion and advertising
Brand Fund	2% of Gross Sales	Weekly on each Tuesday of the following week ²	
Technology Fee ⁴	Up to 1% of Gross Sales	Weekly on each Tuesday of the following week ²	
Transfer Fee	25% of the then-current Initial Franchise Fee. ⁵	Prior to our consent to the Transfer	No fee is imposed for transfers to corporations you form for the convenience of ownership

Type of Fee	Amount	Due Date	Remarks
Renewal Fee	\$5,000 unless you have more than 3 Franchised Businesses in good standing, in which case the fee is \$3,500. ⁶	Upon execution of Franchisor's then current Franchise Agreement	
Audit by Franchisor	Our cost of conducting the audit, which may include the charges of any independent accountants, travel expenses, room and board and compensation of our employees	15 days after billing	Payable only if you fail to furnish reports, supporting records, or other required information, or understate the amounts due to us in an amount equal to or greater than 2%
Interest on Overdue Payments	4% above the prime rate as reported in the Wall Street Journal on the last business day of the preceding weekly period or maximum rate permitted by law	Due with the payment of outstanding amounts	Payable on overdue amounts
Taxes ⁷	Actual costs	Upon demand	Payable if taxes are levied or assessed on the fees you pay to us or our affiliates
Indemnification	Will vary under circumstances	15 days after billing	You will be required to reimburse us for any and all damages and claims (including reasonable attorneys' fees) arising out of any suits, actions, proceedings, or claims filed against us, unless such claim is solely the result of actions by us
Hair Saloon Product Purchases ⁸	According to a price list which may be changed upon written notice	30 days after delivery to you	Payable for all Hair Saloon Products purchased from H.S. Products. Payment must include cost of goods, shipping and handling
Training Fee ⁹	Currently, \$250 per month plus our out-of-pocket costs and expenses	Monthly on the 20th day of each month	Our then-current fee will not exceed 1% of Gross Sales, plus our out-of-pocket costs and expenses.
Tuition for new Certified Trainer	\$4,000 plus our out-of-pocket costs and expenses	As incurred	Payable only if you hire a new Certified Trainer who is required to be complete our initial training program.
Recruiting Support Fee ¹⁰	Up to 1% of Gross Sales, plus our out-of-pocket expenses	Weekly on each Tuesday of the following week ²	

EXPLANATORY NOTES TO ITEM 6:

1. **"Gross Sales"** means all revenue from services rendered by the Franchised Business and from the sale of all products including Hair Saloon Products and Approved Products, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business. Gross Sales does not include any sales taxes or other taxes collected from your customers by you for transmittal to the appropriate taxing authority.

2. All weekly payments will be made by electronic funds transfer each Tuesday, unless Tuesday falls on a legal holiday, in which case payment will be made on Wednesday. All monthly payments will be made by electronic funds transfer on the 5th day of each month, unless the 5th day of the month falls on a legal holiday, in which case payment will be made on the next business day.

3. The amount you are required to contribute to local advertising and promotion will be reduced by any contribution to a regional promotional cooperative, should a cooperative be formed in the future. See

Item 11 for more detail about advertising cooperatives and your local advertising and promotion obligations.

4. Once established, you will be required to pay us our then-current technology fee (the “Technology Fee”). Currently, we do not charge a Technology Fee. We intend to evaluate and set the maximum Technology Fee we charge annually, but the amount will not exceed 1% of Gross Sales. The Technology Fee will cover a portion of our expenses associated with supporting and maintaining our Franchise Management software and providing technology administration and maintenance according to our then current guidelines and procedures, which may change from time to time.

5. This fee will be 25% of the Initial Franchise fee specified in the standard form of franchise agreement then being offered to new System franchisees; provided, however, that if any broker fee is incurred by the transfer, the franchisee shall pay the broker fee in addition to the transfer fee.

6. The renewal fee is \$5,000 unless you have more than 3 Franchised Businesses that are in good standing at the time of your renewal. In that case, the renewal fee will be \$3,500 for each Franchised Business.

7. You must indemnify and/or reimburse us and our affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the Franchised Business or the license of any of our or our affiliates’ intangible property to you (whether required to be paid by us or our affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our affiliates for these taxes includes any income-type taxes which a state or local government imposes on us or our affiliates’ income which exceeds the rate of taxes levied on us by the state and local governmental authorities of our principal place of business.

8. You must purchase certain items from H.S. Products. See Item 8 for more detail on required purchases. The price and terms and conditions for these purchases are contained on a price list that we maintain. We may change the terms and conditions on our price list at any time upon written notice to you. All of the individuals who guarantee the Franchise Agreement must also guarantee all of your purchases of the Hair Saloon Products from H.S. Products. You must pay for all shipping and handling costs.

9. You are required to pay us our then-current training fee (the “Training Fee”), plus our out-of-pocket costs and expenses. We intend to evaluate and set the maximum Training Fee we charge annually, but the amount will not exceed 1% of the Franchised Business’s Gross Sales. We may also require you to reimburse us for our out-of-pocket costs and expenses. The Training Fee may cover ongoing development, delivery, and improvement of training programs and materials that we may provide, as we determine in our sole discretion. By way of example, this may include access to an online learning platform, in-person or virtual workshops, onboarding support, updated operational procedures, leadership development, and continuing education. As with all other fees, you must pay the Training Fee for each Franchised Business you own.

10. Once established, you will be required to pay us a recruiting support fee (the “Recruiting Support Fee”). Currently, we do not charge a Recruiting Support Fee. We intend to evaluate and set the maximum Recruiting Support Fee we charge annually, but the amount will not exceed 1% of Gross Sales. We may also require you to reimburse us for our out of pocket costs and expenses. The Recruiting Support Fee will cover services that we may provide in connection with developing and providing supporting systems for franchisees to use to search for qualified candidates for employment, which may include, without limitation, advertising job openings, leveraging recruitment platforms, and providing candidate assessment tools. Despite any services that we may provide to support your recruiting efforts, you will be solely responsible for managing your own job posting, conducting interviews, hiring employees, and all other employment related decisions and activities.

Except as otherwise described above, we impose and collect all fees. All fees are non-refundable. All fees will be uniformly imposed.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Low – High Range)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$35,000	Lump Sum	Upon Execution of the Franchise Agreement	Franchisor
Lease Deposit ²	\$2,500 to \$5,500	As Arranged	As Arranged	Lessor
Leasehold Improvements, Fixtures ³	\$128,750 to \$195,700	As Arranged	As Incurred	Contractor, Suppliers
Equipment And Furniture (including Computer Equipment) ⁴	\$56,650 to \$87,550	As Arranged	Before Opening	H.S. Products, Suppliers
Opening Advertising ⁵	\$30,000	As Arranged	Before Opening	Third Parties or Us
Travel and Living Expenses while Attending Training ⁶	\$1,500 to \$3,500	As Arranged	As Arranged	Third Parties
Start-up Supplies ⁷ • Retail • Station • Uniform	\$12,000 to \$16,000	As Arranged	As Incurred	H.S. Products, Suppliers
Insurance ⁸	\$1,500 to \$3,500	As Arranged	As Incurred	Insurers
Professional Fees	\$2,000 to \$6,000	As Arranged	As Incurred	Legal and Accounting Professionals
Miscellaneous Opening Costs ⁸	\$3,000 to \$4,500	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds - 6 months ¹⁰	\$30,000 to \$60,000	As Arranged	As Incurred	Third Parties
TOTAL	\$302,900 to \$447,250			

The following chart describes the estimated initial investment for a Franchised Business, whether it is a single unit or a unit under a Multi-Unit Development Agreement.

The foregoing expenses are merely estimates. You are encouraged to make an independent investigation and analysis of the potential expenses which may be incurred in order to start your Franchised Business. This does not include the cost of the real estate or building a building if you purchase the land.

EXPLANATORY NOTES TO ITEM 7:

Except as otherwise described below, all payments are nonrefundable.

1. The first Franchised Business Initial Franchise Fee is \$35,000. The Initial Franchise Fee for a second Franchised Business developed under a Multi-Unit Development Agreement is \$20,000. For your third and any additional Franchised Business developed under a Multi-Unit Development Agreement, the Initial Franchise Fee is \$10,000 for each Franchised Business. As described in Item 5, when you sign the Multi-Unit Development Agreement, you must pay us a Development Fee equal to the total Initial Franchise Fees due for all of the Franchised Businesses to be opened under the Multi-Unit Development Agreement, and you will receive a credit against the Initial Franchise Fee due for each Franchised Business timely developed equal to the portion of the Development Fee attributable to that Franchised Business. If you qualify for the

International Franchise Association's VetFran program, you will receive a 10% discount off of the Initial Franchise Fee otherwise owed.

2. The amount of your lease deposit will vary significantly depending upon the location, terms of the lease, the total area of the leased premises and the additional items charged to you by the lessor. The typical size for the Franchised Business is between 1,400 and 1,800 square feet, although smaller or larger spaces may be approved by us in certain situations. In most areas the rent is typically between \$20.00 and \$40.00 per square foot per year. If you negotiate a lease that includes a security deposit, the typical amount would be one month's rent. In most cases, franchisees rent rather than purchase property. If you purchase the property, your initial expenses will dramatically increase.

3. You will need to make certain leasehold improvements that comply with our specifications and decor. The cost will vary depending on the location. We provide you with prototype plans and a layout and design for Franchised Businesses. Unless prohibited by applicable law, you are required to have our approved architect prepare the blueprint drawings for your build-out. You may (but are not required to) use our approved contractor. If you chose to use another contractor, you will be required to enter into a construction management agreement with our approved contractor for project oversight. Our approved contractor charges a fee for this oversight equal to 5% of the total construction costs by your chosen contractor.

4. You will need to purchase or lease certain equipment, furniture and fixtures as described in Item 8.

5. You must spend at least \$30,000 on advertising the grand opening of the Franchised Business. This amount is in addition to the minimum local advertising expenditures you must make. We reserve the right to collect this minimum amount directly from you and use it for grand opening marketing on your behalf.

6. You will incur expenses associated with our initial training program. For this training program, we provide instructors and instructional materials, but you must pay for transportation, lodging and meals for you and your employees. The cost will depend on the distance you must travel to the training location and the type of accommodations you choose.

7. These expenses include stationery, brochures, office supplies, and initial retail products.

8. You must obtain and maintain the types and amounts of insurance described in Section 10 of the Franchise Agreement. The amount in the chart represents pre-opening expenses. In rare circumstances, you may need to pay the entire annual premium initially.

9. This amount includes deposits for utilities and costs for business licenses and permits. Some states require a tax deposit, which can be covered by a bond or interest bearing deposit made with a bank or with the state.

10. You will need to support ongoing expenses, such as payroll, utilities and the cost to maintain the computer software as described in Item 11, to the extent these costs are not covered by sales revenue. New businesses often generate negative cash flow. We estimate that the amount stated will be sufficient to cover on-going expenses for the initial period of your Franchised Business' operation, which we calculate to be 6 months. This is only an estimate, however, and we cannot assure you that you will not need additional working capital during or after this initial

period. Factors which affect the amount of additional funds required include sales volume and expense control, how closely you follow the System, your management skill, experience and business acumen, local economic conditions, the acceptance by local consumers of our approved goods/services, prevailing wage rates and competition. We relied on past experience and HSI, LLC's Affiliate-Owned Saloons' performance when preparing these figures. This estimate does not include any owner's draw or salary for you, any of the costs specified elsewhere in this Item 7, or some of the fees listed in Item 6.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Franchised Business at a location that we have consented to and in compliance with all of the specifications and standards described in the Manuals and the Franchise Agreement. In order to maintain quality provision of the System, our specifications may regulate, among other things, the types, models and brands of required furniture, fixtures and equipment, signs, materials, supplies, computer hardware and software (See Item 11 for details), products offered for retail sale and other items used in operating your Franchised Business. We may also regulate the minimum amount of insurance you must purchase. These specifications include standards for appearance, delivery, performance, quality control and/or design. You must obtain our written consent before making any changes in the appearance of your Franchised Business and before making modifications to or replacements of decorating materials, fixtures, equipment, products, furniture, signs and other items.

To maintain the quality of the goods and services that all of our System franchisees provide and the reputation of the System, you must purchase all Approved Products, equipment and supplies solely from suppliers designated by us in the Manuals or otherwise in writing and who demonstrate to our continuing satisfaction, the ability to meet our specifications, adequate quality controls, and capacity to supply your needs promptly and reliably. Most of the Approved Products you will be required to purchase will be used in the operation of the Franchised Business and will include: central vacuum system, barber chairs, station sinks, sound system, phone system, credit card equipment, safe, interior and exterior signage, books, tables and chairs, barber pole, mats, pictures, drink systems, store display items, cutting station equipment and supplies, and uniforms. You will also be required to purchase other Approved Products that will be used for re-sale to customers. We may revoke our approval of any Approved Product or supplier at any time in our sole discretion. When you receive written notice that we have revoked our approval of a supplier or product, you must stop selling the disapproved Approved Products and equipment, and you must stop purchasing from the disapproved supplier. Currently, we do not make a profit or receive a commission or rebate from the sale of any Approved Products by third party vendors to our franchisees, but we have the right to arrange for these commissions or rebates in the future. We intend to negotiate purchase arrangements with suppliers for the benefit of our franchisees, but cannot guarantee we will always be able to do so. We have the right to condition or revoke your right to participate in any supplier program if you are in default under the Franchise Agreement.

Some of the approved suppliers are affiliated with us. Certain of the Approved Products, which we refer to as the Hair Saloon Products, are supplied to you only through our affiliate, H.S. Products. Other than the Hair Saloon Products, neither we nor our affiliates supply any products to you. However, we reserve the right to develop and require you to purchase other products from us or our affiliates in the future. Except as described in this paragraph, there is no designated supplier that is owned, in whole or in part, by any of our officers.

If you want to purchase Approved Products, equipment or supplies (including any Hair Saloon Products) from suppliers other than approved suppliers, you may submit a request to us in writing, together with the samples or other evidence of conformity with our specifications as we reasonably require. You

may not use or purchase any such products, equipment or supplies until you have received our approval of the proposed supplier. There is no limit on the time we may take in evaluating a proposed supplier, but we typically will provide our approval or disapproval within 45 days of our receipt of all requested materials. We may withhold, condition and/or revoke our approval of particular Approved Products, equipment or supplies at any time in our sole discretion. We may require that our representatives be permitted to inspect the proposed supplier's facilities and that samples from the proposed supplier be delivered for evaluation and testing either by us or an independent testing facility designated by us. We may charge you a reasonable fee to cover the cost of this evaluation or testing. We periodically establish procedures for submitting requests for approval of products and suppliers and may impose limits on the number of approved products or supplies. Our criteria for suppliers of specific products are available to our franchisees upon written request. We have no obligation to consent to any request for a new approved supplier, product or service.

We estimate that the purchase of Approved Products, equipment, and supplies from approved suppliers or in accordance with our specifications will represent approximately 80% of your total purchases and leases in establishing the Franchised Business, and 10% of your total purchases and leases in the continuing operation of the Franchised Business. During our 2025 fiscal year we did not derive any revenue from selling items to System franchisees, nor did we receive any rebates from suppliers on account of purchases of required or designated products or services. However, in the fiscal year ended December 31, 2025, H.S. Products had \$84,023 of revenue from sales of Approved Products to System franchisees. The source of this information is the internally prepared end of year financial statements of H.S. Products.

In addition to the purchases or leases described above, you must buy and maintain at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Business. All policies must be written by a responsible carrier or carriers which we determine to be acceptable, must name us as an additional insured, and must provide at least the types and minimum amounts of coverage specified in the Manuals and in the Franchise Agreement.

There currently are no purchasing or distribution cooperatives.

We do not provide material benefit to your (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers. However, we do consider your compliance with the requirements described above when determining whether to renew or grant you additional franchises.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1.1, 3.2, and 5.3 of the Franchise Agreement; Site Selection Addendum	Items 8 and 11
b. Pre-opening purchases/leases	Section 5.4 of the Franchise Agreement	Items 5, 7, and 8
c. Site development and requirements	Sections 3.1, 5.3, 5.4, and 5.5 of the Franchise Agreement; Site Selection Addendum	Items 8 and 11

Obligation	Section in Agreement	Disclosure Document Item
d. Initial and ongoing training	Section 5.6 of the Franchise Agreement	Item 11
e. Opening	Sections 3.5 and 5.5 of the Franchise Agreement	Item 11
f. Fees	Section 4 of the Franchise Agreement; Section 3 of the Multi-Unit Development Agreement	Items 5 and 6
g. Compliance with standards and policies / operating manual	Sections 3.4, 5.1, 5.7, 5.8, 5.10, 5.18, 5.19, and 7.1 of the Franchise Agreement	Items 8, 11, and 14
h. Trademarks and proprietary information	Sections 6 and 7 of the Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 3.8, 5.10, and 5.13 of the Franchise Agreement	Items 5, 8, and 16
j. Warranty and customer service requirements	Sections 5.1 and 5.11 of the Franchise Agreement	Item 16
k. Territorial development and sales quotas	Sections 1.4, 1.5, and 1.6 of the Franchise Agreement; Section 4 of the Multi-Unit Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 5.10 and 5.13 of the Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 5.8, 5.9, and 5.18 of the Franchise Agreement	Item 8
n. Insurance	Section 10 of the Franchise Agreement	Items 7, and 8
o. Advertising	Section 9 of the Franchise Agreement	Items 6, 8, and 11
p. Indemnification	Section 17.4 of the Franchise Agreement; Section 11.4 of the Multi-Unit Development Agreement	None
q. Owner's participation/management/staffing	Section 5.2 of the Franchise Agreement	Item 15
r. Records and reports	Section 8 of the Franchise Agreement; Sections 5.2 and 5.3 of the Multi-Unit Development Agreement	Item 6
s. Inspections and audits	Sections 3.7, 5.14, and 8.6 of the Franchise Agreement;	Items 6 and 11
t. Transfer	Section 11 of the Franchise Agreement; Section 7 of the Multi-Unit Development Agreement	Item 17
u. Renewal	Section 2.2 of the Franchise Agreement	Item 17
v. Post-termination obligations	Section 13 of the Franchise Agreement; Section 6 of the Multi-Unit Development Agreement	Item 17
w. Non-competition covenants	Section 14 of the Franchise Agreement; Section 8 of the Multi-Unit Development Agreement	Item 17
x. Dispute resolution	Section 22 of the Franchise Agreement; Section 16 of the Multi-Unit Development Agreement	Item 17
y. Taxes/permits	Sections 5.4, 5.12, and 16 of the Franchise Agreement; Section 9 of the Multi-Unit Development Agreement	Item 1

ITEM 10 **FINANCING**

We do not offer direct financing. We do not guarantee your note, lease or obligation.

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

Except as listed below, we are not required to provide you with any assistance.

Before you open your Franchised Business, we will:

1. Make available to you, at no charge, prototype plans and specifications for the construction of the Franchised Business and for the exterior and interior design and layout, fixtures, furnishings, mechanical fittings and signs (Franchise Agreement, Section 3.1).

2. Assist you with the selection of the site for your Franchised Business (Franchise Agreement, Section 3.2; Multi-Unit Development Agreement, Section 5.1; Site Selection Addendum).

If at the time you sign the Franchise Agreement, you have not selected and we have not approved a location for the Franchised Business, you must sign our Site Selection Addendum to the Franchise Agreement (see Item 22), and lease or acquire a location, subject to our consent, as provided in the Site Selection Addendum.

Within 120 days after you sign the Site Selection Addendum, you must acquire or lease, at your expense, a location from which you will establish and operate the Franchised Business. During this time period, you must submit to us, in the form we specify, a copy of the site plan and such other information or materials as we may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 15 days after receipt of such information and materials from you to consent to or reject, in our sole discretion, the proposed site as the location for the Franchised Business. In the event we do not reject a proposed site by written notice to you within these 15 days, we will have been deemed to have consented to the proposed site. (Site Selection Addendum, Section 2). In consenting to a location for the Franchised Business, we consider population density, commercial traffic, demographics, location of competitive businesses, and per capita income of the area surrounding the proposed location. If you have not acquired or leased a location for the Franchised Business within 120 days of signing the Franchise Agreement, we may terminate the Franchise Agreement.

3. Provide an initial training program (Franchise Agreement, Section 3.3). We describe this initial training program later in this Item.

4. Loan you one copy of the Manuals (Franchise Agreement, Section 3.4).

5. Provide a grand opening marketing model for the Franchised Business. In our discretion, we may also provide follow-up training or other assistance as we deem necessary to assist you in opening the Franchised Business (Franchise Agreement, Section 3.5).

6. Provide assistance, as we deem appropriate, in purchasing or leasing pre-opening equipment, signs, fixtures and/or inventory, which will include both Hair Saloon Products and other Approved Products. As discussed in Item 8, you will be required to purchase Hair Saloon Products directly from our affiliate, H.S. Products, and you will be required to purchase Approved Products from third party suppliers that we approve or that we designate (Franchise Agreement, Section 5.13). We do not deliver or install any of these items.

7. Consent to your opening your Franchised Business (Franchise Agreement, Section 5.5).

You must submit to us written notice of your intent to open the Franchised Business. We will have 15 days from the date you submit this notice to us in which to consent to or reject your opening of the Franchised Business, which consent will not be unreasonably withheld. In the event we do not reject your proposed opening of the Franchised Business within these 15 days, we will have been deemed to have consented to the opening of your Franchised Business.

Time for Opening the Franchised Business.

We estimate that the typical length of time between signing the Franchise Agreement and opening the Franchised Business will range from 3 to 7 months. Factors which may affect this time period include financing or building permits; zoning and local ordinances; weather conditions; and shortages or delayed installation of equipment, fixtures, and signs. If you fail to open the Franchised Business within 120 days of our consenting to the proposed site as the location for the Franchised Business, we may terminate the Franchise Agreement.

During your operation of your Franchised Business, we will:

1. Provide, from time to time as we deem appropriate, advice and written materials concerning techniques of managing and operating your Franchised Business, including new developments and improvements in promotion, public relations, hairstyling techniques, customer relations and product display (Franchise Agreement, Section 3.6).
2. Conduct, at no cost to you, as we deem advisable, inspections of the Franchised Business and evaluations of the sales and services you render at the Franchised Business (Franchise Agreement, Section 3.7).
3. Use reasonable efforts to make available for purchase by you, either indirectly or directly from us, all Hair Saloon Products to be used in the operation of the Franchised Business. We reserve the right to require you to limit or discontinue the use or re-sale of Hair Saloon Products in accordance with the Franchise Agreement (Franchise Agreement, Section 3.8).
4. Provide assistance, as we deem appropriate, in purchasing or leasing the Approved Products, equipment, signs, fixtures and/or inventory that you will be required to purchase for the operation of the Franchised Business. You must purchase all Approved Products from the third party suppliers and affiliates that we approve or designate (Franchise Agreement, Section 5.13).
5. Provide, from time to time and as we deem appropriate, advertising and promotional assistance (Franchise Agreement, Section 9). We describe advertising and promotional assistance later in this Item.
6. Continue to provide you access to the Manuals (Franchise Agreement, Section 3.4).

The Manuals, which may be in a format determined by us (i.e., in writing, via electronic media through a secure website, etc.) are confidential and remains our property. You will operate your Franchised Business in strict compliance with those operational systems, procedures, policies, methods, and requirements found in the Manuals that are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications, or amendments, all of which are a part of the Manuals.

You must treat the Manuals, or any other written materials provided by us or our affiliates for use in the operation of the Franchised Business, and the information contained in them, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy,

duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manuals will remain our sole property and must be kept in a secure place within the Franchised Business. It must be returned to us upon termination or expiration of your Franchise Agreement.

We have the right to make additions to, deletions from, or revisions to the Manuals that you have to comply with at your own cost. You must ensure that the Manuals are kept current at all times. If there is any dispute as to the contents of the Manuals, the terms of the master copies maintained by us, at our principal office, will be controlling. The table of contents from our current Confidential Operations Manual is contained in Exhibit E. Currently, the Manuals total over 880 pages.

We also reserve the right to provide recruiting support services and charge you our then-current Recruitment Support Fee. If established, the Recruiting Support Fee will cover services that we may provide in connection with developing and providing supporting systems for franchisees to use to search for qualified candidates for employment, which may include, without limitation, advertising job openings, leveraging recruitment platforms, and providing candidate assessment tools. Despite any services that we may provide to support your recruiting efforts, you will be solely responsible for managing your own job posting, conducting interviews, hiring employees, and all other employment related decisions and activities.

Advertising

Brand Fund. We have established a brand fund for the promotion and advertising of the System (the “**Fund**”). We will maintain and administer the Fund as follows:

1. We will direct all promotional and advertising programs with sole discretion over the concepts, materials, and media used in the programs, including their placement and allocation. The Fund is intended to maximize general public recognition, acceptance, and use of the System; we are not obligated in administering the Fund to make expenditures for you that are equivalent or proportionate to your contributions to the Fund, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Fund. We are not obligated to spend any amount on advertising in the Franchise Territory.

2. We will use the Fund, all contributions to it, and any earnings on it, exclusively for preparing and administering advertising, marketing, merchandising, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System or recognition of the Proprietary Marks, including the costs of preparing and conducting media advertising campaigns; direct marketing efforts; marketing surveys; employing advertising and/or public relations agencies to assist us; purchasing promotional items; and providing promotional and other marketing materials and services to the System franchisees.

3. We use a regional marketing consulting firm to prepare advertising for the Fund. We do not use any money from the Fund for advertising that is principally a solicitation for the sale of System franchises, except that we may use portions of the Fund towards the costs of website(s) we may maintain, which website(s) may contain information about our franchising programs. Neither we, nor any affiliate, receives any payment for providing goods or services to the Fund.

4. You must contribute 2% of your weekly Gross Sales to the Fund by electronic funds transfer payable to the Fund. All System businesses will contribute equally to the Fund, including those stores that we or our affiliates own and operate. We will maintain all sums paid to the Fund in an account separate from our other monies. We will not use them for any of our expenses, except for reasonable costs and overhead, if any, that we incur in activities reasonably related to the direction and implementation of

the Fund and advertising programs for the System. These costs may include costs of personnel for creating and implementing advertising, promotional, and marketing programs. The Fund is not our asset, nor a trust. We have a contractual obligation to hold all contributions for the benefit of the contributors and to use contributions only for their permitted purposes (as described in this Item). We have no fiduciary obligation to you for administering the Fund. We anticipate spending all of the contributions collected in any fiscal year in that particular fiscal year. However, in any fiscal year, an amount greater or less than the actual aggregate contributions contributed may be spent, and we may loan monies to cover deficits or invest any surplus for future use. All interest earned on contributions will be used for the same purposes permitted of the contributions described in this Item. Any monies remaining in the Fund at the end of the taxable year in which such monies were received will be used for advertising or promotional purposes in the following taxable year before contributions from that taxable year are used. We reserve the right to terminate the Fund at any time, in which case all monies remaining in the Fund will be expended for advertising or promotional purposes or returned to the contributors on the basis of their respective contributions. The Fund and any earnings on it will not otherwise benefit us (Franchise Agreement, Section 9.5).

5. A statement of operations of the Fund will be prepared annually by an independent certified public accountant and be available to you. At your written request, we will make available for your inspection the books and records of the Fund. During the fiscal year ended December 31, 2025, the Fund spent 33% of its expenditures on media placement, 24% on production, 16% on agency fees, including research, 22% on employee recruitment and 4% on miscellaneous and administrative items.

6. There is no advertising council that advises us on advertising policies.

Local Advertising. In addition to the required contributions to the Fund, you must spend not less than 3% of your weekly gross sales (as defined in the Franchise Agreement) on local promotion and advertising; provided that this amount will be reduced by any contribution to a regional advertising cooperative, if any has been established in the geographical area covered by your Franchise Agreement. All local advertising is subject to our prior written consent in accordance with the Franchise Agreement (Franchise Agreement, Sections 9.2 and 9.3).

You must submit all of your own advertising and sale promotion materials to us or our advertising agency for approval before use. If you do not receive written disapproval within 7 days after we receive the materials, we will be deemed to have given approval. You will not advertise or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols (“©”, “®”, “TM” or “SM”) as we direct. We may, in our sole discretion, provide advertising or marketing materials to you at a reasonable cost.

We maintain an Internet website, www.hairsaloon.com, which we control. We may provide contact information for the Franchised Business on our web site for so long as we determine. All of the information on these or any other pages of our web site remains subject to our control and approval. Subject to our right to consent, you may be permitted to create a social media account from which to advertise your Franchised Business on the Internet (such as on LinkedIn, Facebook or Twitter). Any such permission shall only be for such time as we permit and shall be on the terms and condition we specify from time to time in the Manual, which may restrict the content that you are permitted to post to the social media outlet. We have the right to cease granting you permission to operate any social media outlet at any time and to require you to give us administrative control and/or log-in information for any social media site you operate for the promotion of the Franchised Business. Except as otherwise provided in the Manuals or otherwise in writing, you may not maintain a presence on the Internet for your Franchised Business. Any advertising on the Internet, delivered by facsimile, electronic mail or other electronic means shall be pre-approved by us and on terms specified by us.

Grand Opening Advertising. In addition to all other amounts you must spend on advertising, you must spend at least \$30,000 on grand opening advertising within 60 days of opening your Franchised Business. You will be required to submit receipts and/or other adequate proof of these advertising expenditures. You must submit to us all of your grand opening advertising materials for our prior consent. At our sole discretion, you will be required to pay such minimum amount directly to us for our use, on your behalf, in advertising the grand opening of your Franchised Business.

Regional Advertising Cooperatives. We may, in our sole discretion, designate any geographical area for purposes of establishing a regional promotional cooperative and determine whether the cooperative is applicable to your Franchised Business (Franchise Agreement, Section 9.5). All stores located within the designated geographical area will contribute to the cooperative, including those stores that we own and operate. However, we may, in our sole discretion, grant any franchisee an exemption for any length of time from the requirement to become a member of, or make contributions to, a cooperative. Each cooperative will be organized and governed in a form and manner, and will commence operation on a date, consented to by us in advance in writing. Each cooperative will be organized for the exclusive purposes of administering regional promotional and advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising. Each cooperative will prepare annual financial statements and will make such statements available for inspection by all franchisees in the cooperative and by us. We retain the power to form, change, or dissolve any cooperative established under the System. Currently, franchisees located within the St. Louis area co-op is required to contribute \$350 per month to the co-op, which is credited to their local advertising requirement.

No promotional or advertising plans or materials may be used by a cooperative or furnished to its members without our prior written consent. Each cooperative will have the right to require its members to make contributions to the cooperative in amounts determined by the cooperative.

Computer Systems

We will require you, at your expense, to purchase or lease, and thereafter maintain, such computer hardware and software, high-speed Internet connection, modem(s), firewall(s), access point(s) printer(s) and other computer-related accessories or peripheral equipment as we may specify. We estimate that the cost of purchasing such computer hardware and software will be \$7,300. We will require you to purchase from us or third parties, software components and services for your computer/POS system. In connection with this proprietary software, you will be required to pay a monthly subscription fee direct to the software supplier. The monthly fee includes unlimited software related technical support, software updates, access to the system and online tools. Currently, this monthly fee is \$311.95 per month.

You are also required to engage a designated IT company to provide security licenses, access point licenses, anti-virus licenses, cellular failover access, and unlimited technical support. Currently, the IT company charges you a monthly fee of \$185.99 per month. The designated IT company also provides VOIP for \$82.05 per month.

You must keep your computer systems in good repair, at your own expense. Except as described elsewhere in this Item, neither we nor any affiliate of ours or any third party is obligated to provide ongoing maintenance, repairs, upgrades or updates to your computer/POS system. You must upgrade/update your software programs, as required by us or as otherwise needed. We may also require that you purchase and/or install modifications and/or additions to any of the systems or programs described above.

We reserve the right to change the computer/POS system described in this Item at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We have independent, unlimited access to the information generated by your

computer/POS system, and you must ensure that we are able to access your POS data at all times for this purpose.

Training

Before opening the Franchised Business, (i) you; (ii) your Manager; (iii) Certified Trainer; and (iv) any additional persons we deem appropriate (collectively, “**Required Trainees**”), must attend and complete to our satisfaction the initial training program we offer. “**Manager**” means the individual who devotes his or her full time energy and best efforts to the management and operation of the Franchised Business. “**Certified Trainer**” means the individual who will provide training at the Franchised Business for all employees subsequently hired by you as store managers, assistant managers, hair stylists, receptionists, or shoe caddies.

As of the date of this disclosure document, we provide the following initial training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Pre-Opening and Personnel Introduction ¹	2	0	St. Louis, MO
Pre-Opening Personnel and Employee Handbook	6	0	St. Louis, MO
Haircutting System, Evaluation and Saloon Orientation	4	16	St. Louis, MO and at your location
Staff Evaluation, Compensation and Management	2	8	St. Louis, MO
Client Service: Standards, Procedures and Expectations	8	24	St. Louis, MO and at your location
Scheduling and Productivity	4	4	St. Louis, MO and at your location
Goal Setting	1	1	St. Louis, MO and at your location
Store Equipment and Use	1	4	St. Louis, MO and at your location
Marketing and Local Store Marketing	5	5	St. Louis, MO and online
POS: Front Desk and Management	4	24	St. Louis, MO, at your location and online
Saloon Administration	2	12	St. Louis, MO and online
Business Fundamentals	3	8	St. Louis, MO and online

Note 1. Pre-Opening and Personnel Introduction will occur at the time the Franchise Agreement is signed. All other initial training subjects will occur after you sign the Franchise Agreement but before you open the Franchised Business.

Note 2. Thomas Twellman, our Founder and Chairman (who has been with us for over 20 years and has that many years of experience in the subjects he would provide training on), Thomas Twellman, Jr., our President and CEO (who has been with us for over 10 years and has that many years of experience in the subjects he would provide training on), Jean Jones, Vice President of Finance/HR (who has been with us for over 10 years and has that many years of experience in the subjects she would provide training on), and Alicia Noddings, Chief Talent Officer (who has been with us since 2024 and has that many years of experience in the subjects she would provide training on), and one or more of our employees who are fully familiar with the System and the operation of a Franchised Business, may take part in the training of your Required Trainees, or any other employee of yours that we allow to attend initial training. You will be

responsible for your and your employees' compensation, and all expenses, including travel expenses, transportation and living expenses (lodging, food, etc.) during his or her training.

You and the Required Trainees must attend our initial training program and must complete the program to our satisfaction. You may request, and we will consent to or reject, that additional employees attend the initial training program. The initial training program will take place at our principal place of business in St. Louis, Missouri, or another location we designate in writing.

The initial training program shall be scheduled by us as needed and shall be for a period of 5 to 7 days. While we have no obligation to do so, we may extend initial training until we determine that you have completed initial training to our satisfaction. In the event we determine that you or any of your Required Trainees has failed to successfully complete the training program within 240 days after the date of the Franchise Agreement, then such person shall not be permitted or authorized to participate in the operation of your Franchised Business and we shall have the right to reject you as a franchisee and terminate your Franchise Agreement (Franchise Agreement, Sections 12.2.1 and 12.2.18).

At our option, any persons subsequently employed by you as Manager or Certified Trainer shall also attend and complete to our satisfaction, the initial training program we then require for our franchisees. You and your employees must also attend additional courses, seminars, and training programs that we may require from time to time. During the term of your Franchise Agreement, we may also charge you our then-current Training Fee, which may cover ongoing development, delivery, and improvement of training programs and materials that we may provide, as we determine in our sole discretion. We may also require you to reimburse us for our out-of-pocket costs and expenses that we may incur in providing additional training to you. You and your employees will be responsible for all other expenses which are incurred in connection with the additional courses, seminars or training programs we may offer, including the cost of transportation, lodging, meals, and wages (Franchise Agreement, Section 5.6).

ITEM 12 **TERRITORY**

Subject to the limitations set forth below, we will specify in the Site Selection Addendum to the Franchise Agreement a geographic area ("**Franchise Territory**") in which neither we nor our affiliates will establish, or license any other entity to establish, any retail business that operates under the Proprietary Marks. After signing the Franchise Agreement, we will approve a particular location for your Franchised Business. Within 60 days after we have consented to the location of your Franchised Business, we will determine the Franchise Territory based upon the population density, commercial traffic, demographics, location of competitive businesses, and per capita income of the area surrounding the Franchised Business. Based upon our analysis of the above criteria, the Franchise Territory will be a radius of between ½ and 2 miles around the Franchised Business.

Under the Multi-Unit Development Agreement, the Developer is granted a geographic area (the "**Development Area**") within which to develop the number of Franchised Businesses specified in the Development Schedule. The Development Area is described in Exhibit A of the Multi-Unit Development Agreement. The Multi-Unit Development Agreement will contain a Development Schedule that will also be attached as Exhibit A to the Multi-Unit Development Agreement. During the term of the Multi-Unit Development Agreement, we will not establish, nor franchise others to establish, any Franchised Business under the System using the Proprietary Marks within the Development Area. If you fail to meet any of your obligations under the Multi-Unit Development Agreement (including, without limitation, the Development Schedule) or any Franchise Agreement you enter into for the Franchised Businesses you develop in your Development Area in order to retain your development rights, we may terminate your right to develop, open and operate new Franchised Businesses within the Development Area. However, the

termination of the right to develop your Development Area will not terminate any rights granted under any Franchise Agreements then in effect between you and us. After the expiration or termination of your Multi-Unit Development Agreement, we may own, operate, franchise or license others to operate additional Franchised Businesses anywhere, without restriction, including in your Development Area, except for any Franchised Territories that may exist under your Franchise Agreement(s) that are then in effect.

Except as limited above in this Item 12, we and our affiliates retain all rights with respect to Franchised Businesses, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including: the right to establish, or to license other entities to establish, businesses using the Proprietary Marks and System outside of the Franchise Territory or any Development Area; and the right to offer Hair Saloon Products, other Approved Products, or any other products or services under any name, including any of the Proprietary Marks or other proprietary marks we develop, through mail-order or electronic remote-entry ordering systems, such as the Internet. We are not required to pay you if we exercise any of the rights specified above inside the Franchise Territory.

All System businesses, including your Franchised Business and the businesses owned by us or any affiliate of us may solicit business from customers without regard to the customers' geographic location. Except for the Internet-based advertising we may permit you to conduct, you may not solicit any customer by means of computerized or other electronic remote-entry ordering systems (like the Internet) capable of accepting orders for products.

Relocation of your Franchised Business must be approved by us. We may approve or disapprove a relocation in our sole discretion. The factors we consider regarding whether to approve your proposed site to relocate your Franchised Business include population density, commercial traffic, demographics, location of competitive businesses, and per capita income of the area surrounding the proposed relocation site.

You do not receive the right to acquire additional franchises either within or outside your Protected Territory, but we may consider granting you multiple franchises. You must sign a separate Franchise Agreement, however, for each franchise and each Franchised Business. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

Although we and our affiliates have the right to do so, neither us nor our affiliates have operated or franchised, and have no plans to operate or franchise, other businesses selling similar products or services under trademarks or service marks other than the Proprietary Marks.

We and our affiliates have the right to purchase, be purchased, merge, acquire, be acquired or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities according to the System and under the Proprietary Marks or any other marks following this purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which may be within your Franchise Territory or near your Franchise Territory).

Continuation of your franchise or your territorial protection is not dependent upon sales quotas, market penetration or opening additional locations; however, your territorial protection is dependent upon your compliance with the Franchise Agreement, and under the Multi-Unit Development Agreement, the continuation of your Development Area is dependent upon your compliance with the Development Schedule, as described above.

ITEM 13
TRADEMARKS

You may use certain Proprietary Marks in operating your Franchised Business. The principal Proprietary Marks are:

Description of Mark	Registration Number (Serial Number)	Registration Date (application date)
Hair Saloon	2,145,279	March 17, 1998
Where Men Feel Comfortable	2,498,516	October 16, 2001
Honorable Rebellion Among Men	2,578,769	June 11, 2002
Men Deserve Better	2,966,108	July 12, 2005
Saloon	3,074,069	March 28, 2006
HairSaloon	4,997,063	July 12, 2016
For Men Against the Grain	5,844,954	August 27, 2019

These Proprietary Marks are owned by H.S. Holdings. H.S. Holdings has registered these marks on the Principal Register of the United States Patent and Trademark Office (“PTO”) and has filed all affidavits and renewals which are required to have been filed with respect to these Proprietary Marks.

There are no currently effective determinations of the PTO, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Proprietary Marks.

We have the right to use, and to license others to use, the Proprietary Marks under a perpetual, royalty-free license agreement between us and H.S. Holdings. We and H.S. Holdings may terminate this license agreement at any time upon notice to the other party. Further, other than the license agreement with H.S. Holdings (described elsewhere in this Item), there are no agreements currently in effect which significantly limit our right to use or license the Proprietary Marks in a manner material to any franchise.

We will grant you a nontransferable, non-sublicensable, non-exclusive license to use the Proprietary Marks at your single Franchised Business. You must follow our rules and regulations with respect to the use of the Proprietary Marks. You cannot use any of the Proprietary Marks or any other marks, names, or indicia of origin that are or may be confusingly similar to the Proprietary Marks as part of a corporate name or other legal name.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks, provided that you strictly adhere to all of our rules and regulations with respect to the use of the Proprietary Marks. If we determine that you have used the Proprietary Marks strictly in accordance with the Franchise Agreement, we will bear the cost of this defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks strictly in accordance with the Franchise Agreement, you must bear the cost of this defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks.

We do not know of any infringing uses or superior prior rights that could materially affect your use of the Proprietary Marks.

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

We do not own any right in or to any patents or registered copyrights that are material to the franchise. We do, however, claim common law copyright protection for our printed literature and our Manuals. There are currently no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials. No agreements are in effect that significantly limit our right to use or license the copyrighted materials. We are not aware of infringing uses that could materially affect a franchisee's use of the copyrighted materials in any state. The Franchise Agreement does not require us to protect these copyrights or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving these, or any other, copyrights, or any patents or other confidential information.

Although neither we nor any of our affiliates have filed an application for a copyright registration for these materials, we have copyright rights and the information is proprietary. Item 11 describes limitations on the use of the Manuals by you and your employees. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information in a manner we think is appropriate.

All ideas, concepts, techniques, or materials concerning a Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to use and will be deemed to be our sole and exclusive property, part of the system, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for hire" for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request so show our ownership or to help us obtain intellectual property rights in the item. In the event that these requirements are found to be invalid or unenforceable, the Franchise Agreement provides that you and your owners grant to us a worldwide, perpetual, non-exclusive and fully paid license to use and sublicense the use of such ideas, concepts, techniques, innovations, developments, improvements, suggestions or materials.

You must not, during or after the term of the Franchise Agreement, divulge or use for the benefit of anyone else any confidential information concerning the System and/or the methods of operating the Franchised Business. You may divulge confidential information only to those employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

At our request, you must require your Manager and any other personnel having access to any confidential information to sign covenants that they will maintain the confidentiality of information they receive during their employment at the Franchised Business. These covenants must be in a form we find satisfactory and specifically identify us as a third-party beneficiary of these covenants with the independent right to enforce them.

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

During the term of the Franchise Agreement, except as we otherwise approve in writing, you (or, if you are a corporation, partnership or limited liability company, one of your principals) must supervise the Franchised Business. The Manager must devote his or her best efforts to the management, operation and on-site supervision of the Franchised Business. You must obtain our prior written consent to all replacement Managers you hire. We may require your subsequently hired Managers to attend, and complete to our satisfaction, our initial training program.

If you are a corporation, partnership or limited liability company, we will not require the Manager to have an equity interest in the Franchised Business. We may require the Manager, principals, and other employees to enter into agreements not to compete with businesses under the System while you employ them and for 2 years after you cease to employ them, and an agreement not to reveal confidential information obtained in the course of their employment with you.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Franchised Business premises solely to operate the Franchised Business. You must keep the Franchised Business open and in normal operation for the minimum hours and days we specify in the Manuals or otherwise in writing and as may be required under the lease for the Franchised Business Premises. You must not use the premises for any other purpose or activity without first obtaining our written consent. You must operate the Franchised Business in strict conformity with the specifications contained in the Manuals or otherwise in writing. You must not deviate from our specifications and procedures without first obtaining our written consent.

You must offer for sale at all times, only services, Hair Saloon Products, and Approved Products as have been expressly designated in writing and which meet our current standards as established in the Manuals or otherwise in writing. You must not sell any other kind of service or product without first obtaining our written consent. You must discontinue selling or offering for sale any services or products which we, in our sole discretion, disapprove in writing at any time. You will have sole discretion as to the prices of all services and products you offer and sell to your customers, except that we may establish minimum and maximum prices for products and services offered at your Franchised Business, which will be based on our analysis of the market and competition.

You must comply with all reasonable requirements if we supplement, improve, or modify the System, including offering and selling new or different services and products that we specify. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

We may require you, if permitted by applicable law, to participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manuals or otherwise disclosed to you. In order to participate, you may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If we establish a gift card or loyalty program, we have the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

For a description of your restrictions on some purchases, see Item 8 of this disclosure document.

Other than as described in Item 12, we do not impose any restrictions or conditions that limit your access to customers.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 2.1 of Franchise Agreement Section 2 of Multi-Unit Development Agreement	10 years in Franchise Agreement. Your development rights begin on the date you sign the Multi-Unit Development Agreement and terminate on the day you open the last Franchised Business listed on the Development Schedule.
b. Renewal or extension of the term	Section 2.2 of Franchise Agreement Not Applicable in Multi-Unit Development Agreement	Provided the conditions listed in the Franchise Agreement are met, including signing our then-current form of franchise agreement, the terms and conditions of which may differ materially from the terms and conditions of the present-current Franchise Agreement, you may renew for a 10 year term.
c. Requirements for franchisee to renew or extend	Section 2.2 of Franchise Agreement Not Applicable in Multi-Unit Development Agreement	Written notice of election to renew the Franchise Agreement given not more than 12 months and not less than 6 months prior to expiration of current term; execution of then-current Franchise Agreement; exception of general release; other conditions may apply.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 12.1, 12.2, and 12.3 of Franchise Agreement Sections 6.1, 6.2 and 6.3 of Multi-Unit Development Agreement	We may terminate the Franchise Agreement and the Multi-Unit Development Agreement if you: are bankrupt or insolvent; are repeatedly in default; fail to comply with agreement covenants; make misrepresentations to us; knowingly maintain false books or records; are convicted of certain crimes; and in other circumstances as may apply.

Provision	Section in franchise or other agreement	Summary
g. “Cause” defined – curable defaults	Section 12.3 of Franchise Agreement Section 6.3 of Multi-Unit Development Agreement	Failure to permit inspection; failure to maintain the standards dictated by us; failure to comply with the material terms of any agreement; the sale of unauthorized products; failure to maintain insurance; and others. Failure to comply with any material term or condition of the Multi-Unit Development Agreement or any Franchise Agreement between you and us.
h. “Cause” defined – non-curable defaults	Section 12.2 of Franchise Agreement Section 6.2 of Multi-Unit Development Agreement	Bankruptcy or insolvency; conviction of certain crimes; attempting to execute an unauthorized transfer; misuse of the Proprietary Marks; failure to successfully complete the initial training program; and others as may apply. Bankruptcy or insolvency; conviction of certain crimes; failure to meet requirements of the Development Schedule; termination of any Franchise Agreement between you and us; attempting to execute an unauthorized transfer; repetitive defaults; and others as may apply.
i. Franchisee’s obligations on termination/nonrenewal	Section 13 of Franchise Agreement Section 6 of Multi-Unit Development Agreement	Cessation of operations and use of Proprietary Marks and information; assignment of lease; modification of premises; transfer of certain items; payment of monies due; compliance with post-term covenants; and others as may apply. Cessation of developing Franchised Businesses; compliance with post-term covenants.
j. Assignment of contract by franchisor	Section 11.1 of Franchise Agreement Section 7.1 of Multi-Unit Development Agreement	No restriction on our right to assign the Franchise Agreement or the Multi-Unit Development Agreement.
k. “Transfer” by franchisee - defined	Section 11.2 of Franchise Agreement Section 7.2 of Multi-Unit Development Agreement	Transfer of rights or obligations under the Franchise Agreement or of the assets or ownership of franchisee. Transfer of rights or obligations under the Multi-Unit Development Agreement, or all or substantially all of the assets of the Developer (including any Franchised Business directly or indirectly owned by Developer).
l. Franchisor’s approval of transfer by franchisee	Section 11.2 of Franchise Agreement Sections 7.2 of Multi-Unit Development Agreement	We have the right to consent to all transfers but will not unreasonably withhold consent.

Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor's approval of transfer	Section 11.2 of Franchise Agreement Section 7.3 of Multi-Unit Development Agreement	Satisfaction of financial obligations; good standing; execution of a general release; payment of transfer fee; written assignment of obligations; qualified new franchisee; refurbishing of the Franchised Business; transferee's completion of training programs; execution of concurrent agreements; and others as may apply. Developer must also transfer your rights in all Franchised Businesses developed under the Development Schedule.
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 11.3 and 11.7 of Franchise Agreement Not Applicable in Multi-Unit Development Agreement	We have the right to purchase the Franchised Business before transfer.
o. Franchisor's option to purchase franchisee's business	Sections 11.3 and 11.7 of Franchise Agreement Not Applicable in Multi-Unit Development Agreement	We have the right to purchase the Franchised Business before transfer.
p. Death or disability of franchisee	Section 11.5 of Franchise Agreement Not Applicable in Multi-Unit Development Agreement	Executor or representative has 6 months to arrange for a transfer, or 1 year to dispose of decedent interest in Franchised Business.
q. Non-competition covenants during the term of the franchise	Section 14.1 of Franchise Agreement Sections 8.2 and 8.4 of Multi-Unit Development Agreement	You will not attempt to divert any business to a similar business, nor will you have any interest in a business similar to the Franchised Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.2 of Franchise Agreement Sections 8.3 and 8.4 of Multi-Unit Development Agreement	No employment by, or interest in, a business offering the same or similar goods for a period of 2 years following the termination or expiration of the Franchise Agreement or Multi-Unit Development Agreement, and within 2 miles of a saloon owned by us or other System franchisees.
s. Modification of the agreement	Section 20.1 of Franchise Agreement Section 14.1 of Multi-Unit Development Agreement	No modification unless mutually agreed to and in writing.
t. Integration/merger clause	Section 20.1 of Franchise Agreement Section 14.1 of the Multi-Unit Development Agreement	Only terms of the Franchise Agreement and Multi-Unit Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and these agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 22.2 and 22.3 of Franchise Agreement Sections 16.2 and 16.3 of Multi-Unit Development Agreement	Except for certain claims, all disputes must be mediated/ arbitrated in the state and city of our principal place of business at the time of the claim (subject to state law).

Provision	Section in franchise or other agreement	Summary
v. Choice of forum	Section 22.4 of Franchise Agreement Section 16.4 of Multi-Unit Development Agreement	Any litigation must be pursued in courts located in St. Louis County Missouri (subject to state law).
w. Choice of law	Section 22.1 of Franchise Agreement Section 16.1 of Multi-Unit Development Agreement	To the extent that the United States Trademark Act and other federal laws do not apply, all transactions shall be governed by Missouri law (subject to state law).

ITEM 18 **PUBLIC FIGURES**

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

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, 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 consider 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.

Our financial performance representation contains the average and actual range of gross sales achieved by Franchised Businesses and Affiliate-Owned Saloons in operation for at least 12 months as of December 31, 2025, December 31, 2024, and December 31, 2023.

Average and Range of Gross Sales

The gross sales figures included in this Item 19 are based upon the:

- 11 Franchised Businesses and 4 Affiliate-Owned Saloons that had at least 12 months of continual operating history as of December 31, 2025. These 15 outlets represent 100% of the outlets open for business as of December 31, 2025;
- 11 Franchised Businesses and 4 Affiliate-Owned Saloons that had at least 12 months of continual operating history as of December 31, 2024. These 15 outlets represent 100% of the outlets open for business as of December 31, 2024; and
- 13 Franchised Businesses and 4 Affiliate-Owned Saloons that had at least 12 months of continual operating history as of December 31, 2023. These 17 outlets represent 100% of the 17 outlets that were open for business as of December 31, 2023.

These figures should not be relied upon as the actual or potential sales that you will realize. It is likely that your sales will differ from the information in this financial performance representation. These statements have not been audited and may not be based on generally accepted accounting principles.

The actual gross sales figures do not reflect the costs of sales, operating expenses or other costs or

expenses that must be deducted from gross sales to obtain net income or profit. You should conduct an independent investigation of the costs and expenses you may incur in operating your Franchised Business. Franchisees and former franchisees listed in this disclosure document may be one source of this information.

STATEMENT OF GROSS SALES AS REPORTED TO US

Saloons Open at Least 1 Calendar Year as of December 31, 2025, 2024, and 2023

	2025	2024	2023
Average Gross Sales	\$614,921	\$538,769	\$523,126
Median Gross Sales	\$576,361	\$497,153	\$502,017
Highest Unit Gross Sales	\$1,125,514	\$986,626	\$997,340
Lowest Unit Gross Sales	\$360,615	\$274,755	\$261,186
Number of Units	15	15	17
Number of Units that Attained or Exceeded the Averages Above	4 (27%)	4 (27%)	7 (41%)
Number of Units that Attained or Exceeded the Median Above	7 (47%)	8 (53%)	9 (53%)

STATEMENT OF GROSS SALES AS REPORTED TO US

Franchised Saloons Open at Least 1 Calendar Year as of December 31, 2025, 2024, and 2023

	2025	2024	2023
Average Gross Sales	\$664,905	\$579,829	\$535,772
Median Gross Sales	\$584,925	\$537,218	\$502,017
Highest Unit Gross Sales	\$1,125,514	\$986,626	\$997,340
Lowest Unit Gross Sales	\$360,615	\$274,755	\$261,186
Number of Units	11	11	13
Number of Units that Attained or Exceeded the Averages Above	4 (36%)	4 (36%)	5 (38%)
Number of Units that Attained or Exceeded the Median Above	6 (55%)	6 (55%)	7 (54%)

STATEMENT OF GROSS SALES AS REPORTED TO US

Affiliate-Owned Saloons Open at Least 1 Calendar Year as of December 31, 2025, 2024, and 2023

	2025	2024	2023
Average Gross Sales	\$477,466	\$425,857	\$482,025
Median Gross Sales	\$474,256	\$459,801	\$475,571
Highest Unit Gross Sales	\$576,583	\$497,153	\$649,758
Lowest Unit Gross Sales	\$384,770	\$286,674	\$327,203
Number of Units	4	4	4
Number of Units that Attained or Exceeded the Averages Above	2 (50%)	2 (50%)	2 (50%)
Number of Units that Attained or Exceeded the Median Above	2 (50%)	2 (50%)	2 (50%)

Some outlets have earned this amount. There is no assurance you'll do as well. Your individual results may differ. There is no assurance you will earn this much.

This financial performance representation was prepared without an audit. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed an opinion with regard to their contents or form.

Written substantiation for the 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 Thomas H. Twellman, President, at 1846 Craig Park Court, St. Louis, Missouri 63146, (314) 576-7300, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2023 to 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	13	13	0
	2024	13	11	-2
	2025	11	11	0
Company-Owned*	2023	4	4	0
	2024	4	4	0
	2025	4	4	0
Total Outlets	2023	17	17	0
	2024	17	15	-2
	2025	15	15	0

*We do not operate any company-owned outlets, but our affiliate, HSI, LLC operates the outlet(s) reflected in the above chart.

Table No. 2
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023 to 2025

State	Year	Number of Transfers
Illinois	2023	0
	2024	0
	2025	2
Total	2023	0
	2024	0
	2025	2

Table No. 3
Status of Franchised Outlets
For years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Illinois	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Massachusetts	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Missouri	2023	10	0	0	0	0	0	10
	2024	10	0	0	0	0	1	9
	2025	9	0	0	0	0	0	9
Texas	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Total	2023	13	0	0	0	0	0	13
	2024	13	0	0	0	0	2	11
	2025	11	0	0	0	0	0	11

Table No. 4
Status of Company-Owned Outlets*
For years 2023 to 2025

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Missouri	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4
Total	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4

*We do not operate any company-owned outlets, but our affiliate, HSI, LLC operates the outlet(s) reflected in the above chart.

Table No. 5
Projected Openings As Of December 31, 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Total	0	0	0

See Exhibit F for the name, address, and telephone number of each of our current franchisees. Also, see Exhibit F for a list of names, cities and states, and current business or last known home telephone numbers of every franchisee who, from the previous fiscal year, had a franchise terminated, transferred, canceled, not renewed or who have otherwise voluntarily or involuntarily ceased to do business, or who have not communicated with us within a 10-week period preceding this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchise organizations associated with our System.

ITEM 21
FINANCIAL STATEMENTS

The consolidated audited financial statements of H.S. Holdings and its subsidiaries as of and for the fiscal years ended December 31, 2023, 2024, and 2025 are attached to this disclosure document as Exhibit H.

Also attached as Exhibit H is a Guaranty of Performance executed by H.S. Holdings in favor of us for our obligations under our franchise registrations and the Franchise Agreement.

ITEM 22
CONTRACTS

The following contracts are attached to this disclosure document in the following order:

Exhibit C - Franchise Agreement

Exhibit D - Multi-Unit Development Agreement

ITEM 23
RECEIPTS

Exhibit J of this disclosure document has two (2) detachable receipts attached. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

EXHIBIT A
LIST OF ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll Free: (866) 275-2677	MICHIGAN Attorney General Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 5th Floor Lansing, Michigan 48913 (517) 335-7622
FLORIDA Dept. of Agriculture and Consumer Services Division of Consumer Services 227 N. Bronough Street City Center Building, 7 th Floor Tallahassee, Florida 32301 (904) 922-2770	MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NEBRASKA Department of Banking and Finance 1526 K Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68508(402) 471-3445
ILLINOIS Office of Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	NEW YORK New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8222
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	NORTH DAKOTA North Dakota Insurance & Securities Department 600 Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505-0510 (701) 328-2910
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387

RHODE ISLAND Department of Business Regulation Division of Securities 233 Richmond Street, Suite 232 Providence, Rhode Island 02903 (401) 222-3048	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, Virginia 23219 (804) 371-9051
SOUTH DAKOTA Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	WASHINGTON Securities Administrator Department of Financial Institutions Securities Division - 3rd Floor 150 Israel Road, SW Tumwater, Washington 98501 (360) 902-8760
TEXAS Secretary of State Statutory Document Section P.O. Box 13563 Austin, Texas 78711 (512) 475-1769	WISCONSIN Department of Financial Institutions Division of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261-9555

EXHIBIT B
AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA Commissioner of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500	NORTH DAKOTA North Dakota Insurance & Securities Department 600 Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505-0510 (701) 328-2910
HAWAII Commissioner of Securities Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	OREGON Oregon Department of Insurance and Finance 700 Summer Street, N.E., Suite 120 Salem, Oregon 97310 (503) 378-4387
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-1090	RHODE ISLAND Department of Business Regulation 233 Richmond Street, Suite 232 Providence, Rhode Island 02903 (401) 222-3048
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Director of South Dakota Division of Insurance 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Attorney General Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 5th Floor Lansing, Michigan 48913 (517) 335-7622	WASHINGTON Director of Department of Financial Institutions Securities Division - 3rd Floor 150 Israel Road, SW Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651-539-1600	WISCONSIN Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261-9555
NEW YORK Secretary of State of New York 99 Washington Avenue Albany, New York 12231 (518) 473-2492	

EXHIBIT C
FRANCHISE AGREEMENT

THE HAIR SALOON FRANCHISE COMPANY
FRANCHISE AGREEMENT

**THE HAIR SALOON FRANCHISE COMPANY
FRANCHISE AGREEMENT**

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Exhibits

Exhibit A - Site Selection and Franchise Territory Addendum
Exhibit B - Guarantee from Owners of an Interest in Franchisee
Exhibit C - Covenants from Owners of an Interest in Franchisee

**THE HAIR SALOON FRANCHISE COMPANY
FRANCHISE AGREEMENT**

THIS AGREEMENT, entered into on _____, 20_____, by and between Hair Saloon Franchise Company (“**Franchisor**”), and _____ (“**Franchisee**”).

RECITALS:

A. Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed a distinctive system relating to the establishment and operation of hair cutting units primarily oriented towards providing services towards men and boys (the “**System**”).

B. The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings designed to appeal to men of all ages; uniform standards, specifications, and procedures for operations; quality and uniformity of hair care services provided by licensed cosmetologists and barbers; advertising and promotional programs; copyrighted materials; proprietary hair care products and logoed merchandise for use in the hair cutting units and for sale to customers (the “**Hair Saloon Products**”); and other products from approved suppliers for use in the hair cutting units and for sale to customers (the “**Approved Products**”). Any and all aspects of the System may be changed, improved, and further developed from time to time.

C. The System, the retail units, and the Hair Saloon Products are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “Hair Saloon”, as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (“**Proprietary Marks**”).

D. Franchisee has investigated and become familiar with the System and desires to enter into the business of operating a retail Hair Saloon unit under the System and using the Proprietary Marks (a “**Hair Saloon**”), and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the assistance provided by Franchisor in connection therewith.

NOW, THEREFORE, Franchisor and Franchisee, for good and valuable consideration, mutually agree as follows:

1. **GRANT.**

1.1 **Grant of Franchise:** Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license to establish, own and operate under the System, one Hair Saloon unit at the location (the “**Approved Location**”) to be determined pursuant to the procedures set forth the Site Selection and Franchise Territory Addendum (the “**Site Selection Addendum**”) attached hereto as **Exhibit A**. Franchisee agrees to identify the Hair Saloon and all Hair Saloon Products sold or offered for sale at the Hair Saloon only by the Proprietary Marks. Franchisee has no right to use the System or the Proprietary Marks for any purpose other than expressly provided herein.

1.2 **Deliveries on Grant:** Contemporaneous with Franchisee delivering this executed Agreement to Franchisor, it shall also deliver to Franchisor the following:

- (a) A check in the amount specified in Section 4.1 hereof;

(b) An executed Site Selection Addendum;

(c) If Franchisee is a corporation or other business entity, a fully executed Guarantee From Owners of an Interest in Franchisee (“**Guarantee**”), in the form attached hereto as **Exhibit B**, signed by each shareholder, limited partner, member or other owner who owns ten percent (10%) or more of the outstanding equity interest in Franchisee (the “**Principals**”) and their respective spouses; and

(d) If Franchisee is a corporation or other business entity, a fully executed Covenants From Owners of an Interest in Franchisee (“**Covenants**”), in the form attached hereto as **Exhibit C**, signed by each Principal.

1.3 **Relocation of Hair Saloon:** Franchisee shall not relocate the Hair Saloon from the Approved Location without the prior written approval of Franchisor, which approval may be subject to, among other requirements, fulfillment of the obligations set forth in Section 5.9 hereof and the obligations with regards to site selection and leases set forth in the Site Selection Addendum.

1.4 **Franchise Territory:** As described and set forth in the Site Selection Addendum, Franchisor shall specify a geographic area (“**Franchise Territory**”) in which neither Franchisor nor its affiliates shall establish (or license another to establish) any retail Hair Saloon unit under the System using the Proprietary Marks, other than a Non-Traditional Location (as defined in Section 1.5).

1.5 **Exclusions from Territorial Protection:** Franchisor, on behalf of itself and its current and future affiliates, reserves all rights not specifically granted to Franchisee pursuant to this Agreement, all without compensation to Franchisee, including but not limited to the following:

(a) the right to own, acquire, establish, and/or operate, and license others to establish and operate, businesses using the Proprietary Marks and System outside the Franchise Territory;

(b) the right to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from the Hair Saloon, at any location within or outside the Franchise Territory;

(c) the right to own, acquire, establish, and/or operate and license others to establish or operate businesses under the Proprietary Marks, including “Hair Saloon” and “Hair Saloon For Men,” at limited purpose, limited access, seasonal, or captive audience facilities, including, without limitation, airports, public transportation facilities, military bases, government offices, institutions or facilities, educational institutions, stadiums, sports arenas, hotels, resorts, executive conference centers, regional shopping malls, truck stops, or casinos (collectively, “**Non-Traditional Locations**”), at any location within or outside the Franchise Territory. For purposes of this Section, “regional shopping mall” shall be defined as any enclosed shopping facility which contains 100,000 square feet or more of enclosed space;

(d) the right to sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, whether to customers of the Hair Saloon, or others, any products which bear any proprietary marks, including Hair Saloon Products and Approved Products, whether within or outside the Franchise Territory, as well as through mail-order catalogs which are distributed within or outside of the Franchise Territory, and by means of computerized or other electronic remote-entry ordering systems (such as, for example, the Internet) capable of accepting orders placed from within or outside the Franchise Territory;

(e) the right to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or

business' facilities, and to operate, franchise or license those businesses and/or facilities as Hair Saloon retail unit operating under the Proprietary Marks or any other trademarks, service marks, trade names, logos or commercial symbols following such purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Franchisee acknowledges may be within the Franchise Territory or close to the Franchise Territory or Approved Location); or

(f) the right to sell Franchisor, its assets, the Proprietary Marks and/or the System to a third party; go public; engage in a private placement of some or all of the Franchisor's securities; merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above transfers, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Proprietary Marks (or any variation thereof), the System and/or the loss of being identified as a franchisee under this Agreement. If Franchisor assigns its rights in this Agreement, nothing will be deemed to require Franchisor to remain in the hair cutting business or to offer or sell any products or services to Franchisee.

1.6 No Customer Exclusivity: Franchisee expressly acknowledges that all Hair Saloons (whether owned by Franchisor, Franchisee, or other System franchisees) may solicit business from customers without regard to the customers' geographic location. Franchisee further acknowledges that only Franchisor shall be permitted to solicit business from customers by means of computerized or other electronic remote-entry ordering systems (such as, for example, the Internet) capable of accepting orders placed from within or outside the Franchise Territory.

1.7 Modifications to System: Franchisee acknowledges that the System and the Hair Saloon Products, Approved Products, and services offered by the Hair Saloon may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products and services) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including without limitation, all requirements needed to implement the modifications.

2. INITIAL AND SUCCESSOR TERMS

2.1 Initial Term: Except as otherwise provided herein, the term of this Agreement shall commence upon its acceptance and execution by Franchisor and shall expire ten (10) years from its commencement.

2.2 Successor Terms: Franchisee may, at its option, obtain a successor term for the franchise granted under this Agreement for an additional period of ten (10) years subject to the following prerequisites which must be met prior to the commencement of the successor term:

2.2.1 Franchisee has given Franchisor written notice of Franchisee's election to obtain a successor term not more than twelve (12) months and not less than six (6) months prior to the end of the expiring term;

2.2.2 Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of the premises at the Approved Location for the duration of the successor term, or, if Franchisor elects, such lesser duration as corresponds to the term of Franchisee's lease or sublease; or, at Franchisor's request, shall relocate the Hair Saloon to a new location approved by Franchisor and shall obtain the right to remain in possession of the premises at that location for the duration of the successor term.

2.2.3 Franchisee shall, in a manner satisfactory to Franchisor, refurbish, renovate, or reconstruct the Hair Saloon at its expense to conform the building design, trade dress, color schemes, and presentation of Proprietary Marks to the image then in effect for new or the most recently remodeled Hair Saloons under the System, including, without limitation, such structural changes, remodeling, and redecoration, and such modifications to existing improvements as may be necessary;

2.2.4 Franchisee shall not be in default under any provision of this Agreement, any amendment hereof or successor hereto, any other agreement between Franchisee and Franchisor or its affiliates, any agreement with suppliers of Hair Saloon Products or Approved Products, any financing agreement, or any lease or sublease for the Approved Location; and Franchisee shall have substantially complied with all the terms and conditions of such agreements and leases during the terms thereof and not been repeatedly in default under such agreements or leases;

2.2.5 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates and shall have timely met those obligations throughout the term of this Agreement;

2.2.6 Franchisee shall execute Franchisor's then-current form of Franchise Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which Agreement may differ from the terms of this Agreement, provided, however, that Franchisee shall pay a fee for the right to obtain a successor term that is \$5,000; provided, however, that if Franchisee owns more than three (3) Hair Saloon units that are operating and in good standing at the time Franchisee exercises the successor Franchise Agreement, such fee shall be \$3,500; and

2.2.7 Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective shareholders, partners, directors, officers, agents, and employees.

3. DUTIES OF FRANCHISOR

3.1 Hair Saloon Plans: Franchisor shall make available, at no charge to Franchisee, prototype plans and specifications for the construction of the Hair Saloon and for the exterior and interior design and layout, fixtures, furnishings, mechanical fittings and signs ("**Standard Plans**").

3.2 Site Selection Assistance: Franchisor shall offer assistance to Franchisee in the manner specified in the Site Selection Addendum. Any such assistance shall be in addition to the performance by Franchisee of its duties under the Site Selection Addendum.

3.3 Training: Franchisor shall provide an initial training program for Franchisee at Franchisor's principal place of business, or at another designated location, subject to the terms set forth in Section 5.6 hereof.

3.4 Manuals: In order to protect the reputation and goodwill of Franchisor, to maintain uniform standards of the products, services, programs, and operations offered and sold under the Proprietary Marks, and to promote the goodwill of all Hair Saloons and the System, Franchisor has created or approved for use by the Hair Saloons an Operations Manual and other manuals and training and operations materials which may be in paper or electronic form, or which may be accessed via the Internet (collectively, "**Manuals**"). The Manuals will be in a format determined by Franchisor (i.e., in writing, via electronic media through a secure website, etc.) and all other supplemental bulletins, notices, revisions, modifications, or supplemental information, either in document or electronic form, concerning the System are considered part of the Manuals. Also included are any passwords or other digital identification necessary to access the Manuals

on a website or extranet. Franchisor shall loan one copy of the Manuals to Franchisee during the term of this Agreement. Franchisor may, from time to time in its sole discretion, revise the Manuals to incorporate System changes. Franchisee shall promptly implement at its own expense, any such System changes upon receipt of notice thereof from Franchisor and shall complete their implementation within such time as Franchisor may specify.

3.5 Grand Opening Assistance: Franchisor shall provide a grand opening marketing model for Franchisee's Hair Saloon, which Franchisee will be required to implement and will involve additional expenditures on the part of Franchisee. Franchisor will also, at its reasonable discretion, provide such other assistance as it deems necessary to assist Franchisee in opening the Hair Saloon.

3.6 Operational Suggestions: Franchisor shall provide to Franchisee, from time to time as Franchisor deems appropriate, advice and written materials concerning techniques of managing and operating the Hair Saloon, including new developments and improvements in promotion, public relations, hair styling techniques, customer relations and product display.

3.7 Inspections and Evaluations: Franchisor shall seek to maintain the high standards of quality, appearance, and service of the System, and to that end shall conduct, as it deems advisable, and at no charge to Franchisee, inspections of the Hair Saloon and evaluations of the sales and services rendered therein.

3.8 Hair Saloon Product Supply: Franchisor shall use reasonable efforts to make available for purchase by Franchisee, either indirectly or directly from Franchisor, all Hair Saloon Products currently being offered for use at the Hair Saloon or for sale at retail; provided, however, that Franchisor reserves the right:

3.8.1 To allocate, as Franchisor deems necessary or advisable, the supply of Hair Saloon Products among all Hair Saloons (whether operated by Franchisee, other franchisees, or HSI) based on such non-discriminatory criteria as Franchisor may reasonably determine;

3.8.2 To discontinue, in its sole discretion, the use in the Hair Saloon, or the offer at retail, of any Hair Saloon Product;

3.8.3 To limit the use in the Hair Saloon, or the offer and sale at retail, of any Hair Saloon Product in such manner and for such period of time as Franchisor may reasonably deem necessary to determine the marketability of such Hair Saloon Product and the feasibility and desirability of using such product at the Hair Saloon, or offering such product for sale under the System; and

3.8.4 To recall or require disposal of, in its sole discretion, any Hair Saloon Product which Franchisor reasonably believes to be adulterated, tainted, contaminated, spoiled, unsafe, hazardous, expired, or otherwise unfit to be used for its intended purposes. Franchisor shall reimburse Franchisee for the cost of any such recalled or disposed product, together with all reasonable direct costs paid by Franchisee to return such recalled product (including freight and insurance), provided such product did not become a recalled or disposed product as a result of an act or failure to act of Franchisee.

3.9 Delegation of Obligations: Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any designee, employee, or agent of Franchisor, as Franchisor may direct.

4. FEES

4.1 Initial Franchise Fee: Franchisee shall pay to Franchisor an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000) upon execution of this Agreement; however, if this Agreement is executed pursuant to a Multi-Unit Development Agreement, and is Franchisee's (a) second Hair Saloon pursuant to such Multi-Unit Development Agreement, then the initial franchise fee shall be Twenty Thousand Dollars (\$20,000), or (b) third or subsequent Hair Saloon pursuant to such Multi-Unit Development Agreement, then the initial franchise fee shall be Ten Thousand Dollars (\$10,000). If Franchisee is a U.S. military veteran who has been honorably discharged and who has had at least one year of active service, then each of the initial franchise fee amounts listed in the preceding sentence will be reduced by 10%. If this Agreement is executed pursuant to a Multi-Unit Development Agreement, then the applicable portion of the development fee paid to enter into the Multi-Unit Development Agreement for the Hair Saloon shall be applied to the balance due for the initial franchise fee. The initial franchise fee is fully earned when paid and is not refundable under any circumstances.

4.2 Royalty Fee: Franchisee shall pay to Franchisor a continuing weekly royalty fee of six percent (6%) of Gross Revenues (the "**Royalty Fee**"). "**Gross Revenues**" shall mean all revenue from services rendered by the Hair Saloon and from the sale of all Hair Saloon Products and Approved Products, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Hair Saloon; provided, however, that Gross Revenues shall not include any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority.

4.3 Technology Fee: Franchisee shall pay to Franchisor a continuing weekly technology fee of up to one percent (1%) of Gross Revenue (the "**Technology Fee**"). Franchisor shall set the amount of the Technology Fee in December, which will apply for the subsequent year beginning January 1.

4.4 Recruiting Support Fee. Once established, Franchisee shall pay to Franchisor a continuing weekly recruiting support fee of up to one percent (1%) of Gross Revenue (the "**Recruiting Support Fee**"). Franchisor shall set the amount of the Recruitment Fee in December, which will apply for the subsequent year beginning January 1. Franchisor may also require Franchisee to reimburse Franchisor for Franchisor's out of pocket costs and expenses. The Recruiting Support Fee will cover services that Franchisor may provide in connection with developing and providing supporting systems for franchisees to use to search for qualified candidates for employment, which may include, without limitation, advertising job openings, leveraging recruitment platforms, and providing candidate assessment tools, in Franchisor's sole discretion. Despite any services that Franchisor may provide to support Franchisee's recruiting efforts, Franchisee will be solely responsible for managing its own job posting, conducting interviews, hiring employees, and all other employment related decisions and activities.

4.5 Time and Manner of Payments: All weekly payments required by Sections 4, Section 9.4, and any other weekly payments required under this Agreement shall be paid on every Tuesday (unless a legal holiday falls on a Tuesday, in which case the payment shall be made on Wednesday). All monthly payments required under this Agreement, if any, shall be paid on the 5th day of each month (unless a legal holiday falls on the 5th day of a month, in which case the payment shall be made on the next business day). All such payments shall be made via electronic funds transfer ("**EFT**") or such other manner which Franchisor may designate from time to time. Any payment or report not received by Franchisor on or before such date shall be deemed overdue. If any payment under this Agreement is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate determined by Franchisor, which rate shall not exceed four percent (4%) above the prime rate as reported in the Wall Street Journal on the last business day of the preceding weekly period, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies that Franchisor may have.

4.6 Reimbursement of Monies Paid on Behalf of Franchisee: Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

5. DUTIES OF FRANCHISEE

5.1 Importance of System Standards: Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products and services sold by all franchisees, and to protect Franchisor's reputation and goodwill. Franchisee shall maintain Franchisor's high standards with respect to facilities, servicing, products, and operations.

5.2 Full-Time Management of the Hair Saloon: Franchisee agrees that either Franchisee (or, if Franchisee is a corporation, limited liability company, partnership or other business entity, a Principal of Franchisee) or a designated manager who has satisfactorily completed all training requirements mandated in Section 5.6.2 of this Agreement is required to use his or her best efforts and is personally responsible for the management of the Hair Saloon on a day-to-day basis; provided, however, that Franchisor has the right to consent to or reject any designated manager prior to Franchisee hiring such individual. In any event, Franchisee or a Principal is required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of the Hair Saloon. In this Agreement, "**Manager**" means the individual who devotes his or her full time energy and best efforts to the management and operation of the Hair Saloon.

5.3 Site Selection and Lease Consent: Franchisee shall abide by and fulfill all of its duties with regard to site selection and consent by Franchisor of its lease, as specified in the Site Selection Addendum and incorporated by reference herein.

5.4 Pre-opening Construction of the Hair Saloon: Franchisee agrees that:

5.4.1 Franchisee shall construct the Hair Saloon at Franchisee's own expense. Before commencing any such construction, Franchisee, at its expense, shall hire Franchisor's approved architect to prepare preliminary design drawings (including the exterior and interior of the Hair Saloon) and final architectural and engineering drawings and specifications of the Hair Saloon premises. If Franchisor's approved architect is unable under applicable law to provide these services, Franchisee must engage the services of a qualified architect or engineer to provide preliminary design drawings and final architectural and engineering drawings and specifications of the Hair Saloon premises in accordance with Franchisor's Standard Plans. Such preliminary and final drawings and specifications shall be submitted to Franchisor for its prior written consent. The drawings and specifications shall not thereafter be changed or modified without the prior written consent of Franchisor.

5.4.2 Franchisee shall comply with all of the applicable provisions of the Americans with Disabilities Act (the "**ADA**") in renovating, constructing, and equipping the Hair Saloon and shall not discriminate against anyone on the basis of disability. Franchisee understands and acknowledges that the standard design plans and specifications provided by Franchisor approved design firm in accordance with Section 5.4.1 above shall not contain the requirements of any federal, state or local law, code or regulation, including those concerning the ADA or similar rules governing public accommodations for persons with disabilities. Additionally, Franchisor's review final plans shall be limited to review of such plans to assess compliance with Franchisor design standards for Hair Saloons, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain services and products that are central to the functioning of Hair Saloons. Such review is not designed to assess

compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Prior to opening the Hair Saloon and prior to renovating the Hair Saloon after the initial opening of the Hair Saloon, Franchisee shall execute an ADA Certification in the form attached to this Agreement as **Exhibit D** that certifies in writing to Franchisor that the Hair Saloon and any proposed renovations comply with the ADA. In the event Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof. As provided in Section 20.3 below, Franchisee shall indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's compliance with the ADA, as well as the costs, including attorneys' fees, related to the same.

5.4.3 In connection with construction of the Hair Saloon, Franchisee shall be responsible, at its expense, for obtaining all zoning classifications, permits, and clearances including, but not limited to, certificates of occupancy and mall clearances, which may be required by federal, state, or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to the Hair Saloon premises or required by the lessor. Franchisee must, at a minimum and at its expense, hire Franchisor's approved contractor to provide construction management services for the construction of the Hair Saloon premises.

5.5 Consent to Hair Saloon Opening: Franchisee shall open the Hair Saloon within one hundred twenty (120) days after Franchisor has consented to a location for the Hair Saloon. Prior to opening the Hair Saloon, Franchisee shall obtain Franchisor's written consent, which consent shall not be unreasonably withheld, by first submitting to Franchisor written notice of its intent to open the Hair Saloon. Franchisor shall consent to or reject Franchisee's request to open the Hair Saloon within fifteen (15) days; however, if Franchisor has not responded to Franchisee's request within the fifteen (15) day period, Franchisee's request shall be deemed consented to. The parties agree that time is of the essence in the construction and opening of the Hair Saloon.

5.6 Training: Franchisee agrees that:

5.6.1 Franchisee shall designate one individual, who may be a store manager, who will provide training at the Approved Location for all employees subsequently hired as store managers, assistant managers, hair stylists, receptionists, and shoe caddies (the "**Certified Trainer**"). In the event Franchisee is a Developer under a Multi-Unit Development Agreement with Franchisor, then Franchisee shall only be required to designate a single person to be the Certified Trainer for all Hair Saloons developed under such Multi-Unit Development Agreement.

5.6.2 Prior to opening the Hair Saloon, Franchisee, the Manager, the Certified Trainer, such additional persons as Franchisor may deem necessary and designate, in Franchisor's sole discretion, and any additional persons requested by Franchisee and acceptable to Franchisor, in Franchisor's sole discretion (collectively, "**Trainees**"), shall attend and complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at Franchisor's principal place of business or at such other place as Franchisor designates. Franchisee shall pay all expenses of the Trainees in attending such initial training program, including, without limitation, all travel, lodging and meal expenses and compensation of, and workers' compensation for, such individuals.

5.6.3 At Franchisor's option, any persons subsequently employed by Franchisee in the positions of Manager or Certified Trainer shall also attend and complete to Franchisor's satisfaction, the initial training program. Any such subsequently employed Certified Trainer who is required to attend

and complete the initial training program shall pay Franchisor the \$4,000 tuition for such training plus Franchisor's out-of-pocket costs and expenses.

5.6.4 Franchisee is required to pay Franchisor's then-current training fee for the Franchised Business ("Training Fee"), plus Franchisor's out-of-pocket costs and expenses. The Training Fee is currently \$250 per month, which Franchisor may increase from time to time, but the Training Fee will not exceed 1% of the Franchised Business's Gross Sales. Currently, the Training Fee is due on the 20th day of each month, but Franchisor may modify the manner, method, and frequency in which it is paid. In connection with the Training Fee, Franchisor may offer, in its sole discretion, ongoing development, delivery, and improvement of training programs. Franchisor may require Franchisee, its Manager, Certified Trainer and other employees to attend such training programs. Franchisee shall pay all expenses of all persons attending such training sessions, including, without limitation, all travel, lodging and meal expenses and compensation of, and workers' compensation for, such persons.

5.6.5 Franchisee shall conduct (through its Certified Trainer), from time to time, such training programs for its staff as Franchisor may reasonably require from time to time in the Manuals or otherwise in writing; this training may consist, without limitation, of "live" demonstrations, videotapes and/or computer-aided learning techniques.

5.6.6 In the event Franchisor is required to send one or more trainers to the Hair Saloon, other than in connection with Franchisor providing grand opening assistance, then in addition to the aforementioned fees and expenses, Franchisee shall also pay all travel and incidental expenses of such trainers.

5.7 Use of Hair Saloon Premises: Franchisee shall use and occupy the Hair Saloon premises solely for the operation of the business franchised hereunder, shall refrain from using or permitting the use of the premises for any other purpose or activity, shall keep the Hair Saloon open and in normal operation for at least such minimum hours and days as Franchisor may specify in the Manuals or otherwise in writing and as may be required by the lease for the Hair Saloon premises, and shall at all times staff the Hair Saloon with such number of employees (as specified in the Manuals) and operate the Hair Saloon diligently so as to maximize the revenues and profits therefrom.

5.8 Maintenance of Hair Saloon Premises: Franchisee shall maintain the Hair Saloon premises in a high degree of repair and in good condition and, in connection therewith, shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

5.9 Relocation of Hair Saloon Premises: In the event Franchisee relocates the Hair Saloon, Franchisee shall make such modifications or alterations to the existing Hair Saloon premises prior to such relocation as may be necessary to distinguish the appearance of the existing Hair Saloon premises from the appearance of other business establishments and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. Franchisor's consent to such a relocation shall be subject to the terms of the Site Selection Addendum in effect as of the time such a request for relocation is made, and Franchisee will be required to execute the Site Selection Addendum then in effect in order to receive Franchisor's consent to the relocation request.

5.10 System Standards: To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Hair Saloon in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in this Agreement, the Manuals, or otherwise in writing. Without limiting the generality of the foregoing, Franchisee agrees that:

5.10.1 Franchisee shall offer for sale at all times, only services, Hair Saloon Products and Approved Products as conform with Franchisor's standards and specifications and to refrain from deviating therefrom by offering non-conforming products or services;

5.10.2 Franchisee shall sell or offer for sale only such services, Hair Saloon Products and Approved Products as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all types of services, and all types and sizes of Hair Saloon Products and Approved Products, required by Franchisor; to maintain such minimum levels of inventory of Hair Saloon Products and Approved Products as Franchisor may specify; and to not sell or offer for sale, or to discontinue selling and offering for sale, any services, Hair Saloon Products or Approved Products as Franchisor may, in its sole discretion, disapprove in writing at any time;

5.10.3 Franchisee shall refrain from engaging, without Franchisor's prior written consent, in offering or selling any Hair Saloon Products and Approved Products from any location other than the Approved Location including, without limitation, catalog or mail-order sales and sales resulting from Franchisee's use of a toll-free or reduced charge telephone number or a computerized or electronic order placement or entry system;

5.10.4 Franchisee shall purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, supplies, signs, and other items as Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing, and shall refrain from installing or permitting to be installed on or about the Hair Saloon premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Franchisor's standards and specifications under the System;

5.10.5 Franchisee shall install at least two televisions as specified in the Manuals within the Hair Saloon and shall only display the programs of such television stations, and such pre-recorded video programs, that are approved for display by Franchisor as specified in the Manuals.

5.10.6 Franchisee shall display (in areas accessible by customers) only such books, magazines, newspapers and other written materials, photographs or pictorial or computerized images that are approved for display by Franchisor as specified in the Manuals.

5.10.7 Franchisee shall diligently execute and perform such promotions as specified by Franchisor from time to time.

5.10.8 Franchisee may be required by Franchisor, if permitted by applicable law, to participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manuals or otherwise disclosed. In order to participate, Franchisee may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If Franchisor establishes a gift card or loyalty program, we have the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

5.10.9 Franchisee shall maintain sufficient working capital to cover all normal operating expenses.

5.11 Franchisee Employee Policy: Franchisee shall:

5.11.1 Maintain a competent, conscientious, trained staff on duty at the Hair Saloon, including at least one Manager (which may be Franchisee) who has attended and satisfactorily completed such training as Franchisor may require in its sole discretion;

5.11.2 Take such steps as are necessary to ensure that all employees of the Hair Saloon keep a neat and clean personal appearance, preserve good customer relations, comply with such dress codes and other standards as Franchisor shall establish in the Manuals or otherwise in writing;

5.11.3 Employ and maintain in employment throughout the term of this Agreement such licensed cosmetologists and other personnel as are reasonably necessary to support the business of the Hair Saloon.

5.11.4 Be solely responsible for all employment decisions and functions, including, without limitation, those related to hiring, firing, establishing remuneration, personnel policies, benefits, disciplining, supervising, and record keeping, regardless of whether Franchisee received advice from Franchisor on these subjects. Under no circumstances shall the Hair Saloon manager and/or staff be deemed to be employees of Franchisor.

5.12 Compliance with Laws: Franchisee agrees to comply with all applicable federal, state and local laws, rules and regulations and to cause its Principals to so comply. Franchisee shall timely obtain, and keep or require to be kept in force at all times during the term of this Agreement, all permits, certificates and licenses necessary for the full and proper conduct of the business of the Hair Saloon, including, without limitation, cosmetology and barber licenses. Franchisee shall, at Franchisor's request, provide Franchisor with copies of any and all professional and other licenses and permits required to conduct the Franchised Business.

5.13 Purchases and Use of Hair Saloon Products, Approved Products and Approved Equipment: Franchisee agrees to:

5.13.1 Purchase Hair Saloon Products only from Franchisor and its affiliates, and from their designated distributors and suppliers. Franchisor or its affiliates shall establish and have exclusive control over the prices, discounts, specifications, and all other terms and conditions governing the sale of Hair Saloon Products to Franchisee. Pricing of Hair Saloon Products is subject to change at any time or from time to time, effective upon notice to Franchisee. All purchases of product from Franchisor or its affiliates, shall be personally guaranteed by the individuals who are required to guarantee this Agreement pursuant to the Guarantee attached hereto.

5.13.2 Purchase all Approved Products used in, and offered for sale at, the Hair Saloon, and equipment used in providing hair-related services, solely from suppliers who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls; and who have been approved in writing by Franchisor and not thereafter disapproved; provided, however, that Franchisor may limit the number of approved suppliers of Approved Products to a single supplier, or any other number of suppliers, for any reason it deems appropriate.

5.13.3 Submit to Franchisor a written request for approval of any unapproved supplier of Approved Products or equipment, prior to purchasing any product or equipment for resale or use in the Hair Saloon from such an unapproved supplier. Franchisee may not use or purchase any such product or equipment until Franchisee has received Franchisor's approval therefor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered for evaluation and testing either to Franchisor or to an independent testing facility

designated by Franchisor. Franchisor shall have the right to charge Franchisee a reasonable fee based on the cost of the evaluation and testing.

5.13.4 Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria.

5.14 Cooperation with Inspections: Franchisee grants Franchisor and its agents the right to enter upon the Hair Saloon premises at any time during regular business hours for the purpose of conducting inspections; shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

5.15 Owners' Guarantees: Each Principal and their respective spouses shall jointly and severally guarantee Franchisee's performance of all of its obligations under this Agreement by executing the Guarantee in the form attached hereto as **Exhibit B**.

5.16 Conditional Right of Franchisee to Set Prices for Goods and Services: Franchisee shall have the right to sell Hair Saloon Products, Approved Products, or services at any prices Franchisee may determine, but Franchisor may set minimum and maximum prices which may be charged based on an analysis of the market and to facilitate advertising and competitive strategies.

5.17 Notification of Legal Proceedings: Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Hair Saloon.

5.18 Refurbishing the Hair Saloon: At Franchisor's request, which shall not be made more often than once during the initial term of this Agreement, and in addition to any obligations of Franchisee pursuant to Sections 1.7 and 5.8 hereof, Franchisee shall, at its expense and in a manner satisfactory to Franchisor, refurbish, renovate, and/or reconstruct the Hair Saloon to conform to the building design, trade dress, color schemes, and presentation of the Proprietary Marks to the image then in effect for new or the most recently remodeled Hair Saloons, including, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements.

5.19 Franchisee Changes to System; Innovations: Franchisee shall not implement any change to the System without the prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any proposed change, and shall provide such information about the proposed change as Franchisor requests. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change into the System and that Franchisor shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, whether or not protectable intellectual property and whether created by or for Franchisee or its owners, affiliates, employees or representatives. To the extent any such item does not qualify as a "work made-for-hire" for Franchisor, Franchisee must assign, or must require its owners, affiliates, employees or representatives to assign, its or their ownership interest of such item to Franchisor. Franchisee agrees to take, or cause its owners, affiliates, employees or representatives to take, whatever action required by Franchisor to document such assignment or to assist Franchisor in obtaining any and all intellectual property rights in such item. In the event that this provision is found to be invalid or unenforceable, Franchisee and its owners grant to Franchisor a worldwide, perpetual, non-exclusive and fully paid license to use and sublicense the use of such ideas, concepts, techniques, innovations, developments, improvements, suggestions or materials.

5.20 Generative AI. Franchisee will not, without Franchisor's prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("**Generative AI**") directly or indirectly in the operation of the Hair Saloon, including without limitation, in advertising, promotion, or marketing of the Hair Saloon or the System, communications with customers, business planning, analysis or optimization, or in any social media. Franchisee acknowledges and agrees not to upload or share any confidential information, knowledge, or know-how concerning the Hair Saloon or the System with any unapproved third-party platforms, including Generative AI, except as authorized by Franchisor in writing. In addition, Franchisee shall prohibit its employees from using any confidential information, knowledge, or know-how concerning the Hair Saloon or the System in Generative AI. In the event Franchisee utilizes any Generative AI, with or without Franchisor's prior approval, Franchisee shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon the intellectual property of a third party, or use such intellectual property without appropriate authorization and attribution.

6. PROPRIETARY MARKS

6.1 Franchisor Representations Concerning Proprietary Marks: Franchisor represents with respect to the Proprietary Marks that:

6.1.1 Franchisor has the right to use and to authorize Franchisee and others to use the Proprietary Marks; and

6.1.2 Franchisor shall permit franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Proprietary Marks.

6.2 Franchisee Representations Concerning Proprietary Marks: Franchisee agrees that:

6.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor, and only in connection with the operation of the Hair Saloon. Franchisee acknowledges that any other use of the Proprietary Marks shall constitute an infringement of Franchisor's rights;

6.2.2 Unless otherwise approved by Franchisor, Franchisee shall operate and advertise the Hair Saloon only under the name "Hair Saloon" or "Hair Saloon for Men" without prefix or suffix;

6.2.3 Franchisee shall, at all times when it uses a Proprietary Mark, indicate the owner of the Proprietary Mark along with the registration symbol ® for registered trademarks and service marks (or the designations TM or SM where applicable as specified by Franchisor). Franchisee shall not permit such notice to be altered, defaced, or over-printed.

6.2.4 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

6.2.5 Franchisee shall not use the Proprietary Marks or any other marks, names or indicia that are or may be confusingly similar to the Proprietary Marks, as part of its corporate or other legal name;

6.2.6 Franchisee shall furnish to Franchisor, for its prior written consent, any application which Franchisee proposes to submit for registration of its trade name, business name, fictitious name, assumed name, or other similar name registration to the state or county in which it operates;

6.2.7 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity or the ownership of the Proprietary Marks, nor take any action which may tend to derogate or jeopardize Franchisor's interest therein or Franchisor's right to use and to license others to use the Proprietary Marks; and

6.2.8 Franchisee shall at its own expense execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

6.3 Franchisee Acknowledgements Concerning Proprietary Marks: Franchisee expressly understands and acknowledges that:

6.3.1 Franchisor has the right to use the Proprietary Marks and to authorize others to use the Proprietary Marks;

6.3.2 The Proprietary Marks serve to identify the System and those who are authorized to operate under the System;

6.3.3 Franchisee shall not directly or indirectly contest the validity or ownership of the Proprietary Marks, or Franchisor's right to use or to license the use of the Proprietary Marks, and shall not apply to register in any country or jurisdiction, in Franchisee's name or otherwise, the Proprietary Marks or any trademarks or service marks confusingly similar to the Proprietary Marks;

6.3.4 Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement;

6.3.5 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor and its affiliates, and, upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

6.3.6 Except as specified in Section 1.4 hereof, Franchisor and its affiliates shall have and retain the rights, among others: (a) to use the Proprietary Marks in connection with selling products and services; (b) to grant licenses to others for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee;

6.3.7 Franchisor reserves the right to change, revise, or substitute different Proprietary Marks for use in identifying the System, the Hair Saloon, and the Hair Saloon Products sold or offered for sale through the Hair Saloon, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Proprietary Marks will be beneficial to the System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of the Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith;

6.3.8 Franchisee shall promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks or confusingly similar marks, or any challenge to the validity or use of the Proprietary Marks. Franchisor (or its affiliate) shall have the sole right to determine whether any action should be taken, and, if any action is taken, Franchisor (or an affiliate) shall have the right to direct and control any such action, including the conduct of an administrative proceeding or litigation or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. Franchisee shall have no right, independent of Franchisor, to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to the Proprietary Marks; and

6.3.9 Franchisor (or its affiliate) shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket litigation costs in cooperating with Franchisor with respect to the litigation; and

6.3.10 Franchisor may seek, and Franchisee shall pay, all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without posting a bond, an ex parte order for injunctive or other legal or equitable relief against Franchisee in enforcing compliance with this Section 6.

6.4 Changes in Law Affecting Proprietary Marks: In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall execute any documents and do such acts and things as in the opinion of Franchisor may be necessary to effect the intent and purpose of the provisions of this Agreement; provided, however, that Franchisor shall bear all costs associated with such request.

7. CONFIDENTIAL MANUALS AND INFORMATION

7.1 Use of Manuals: In order to protect the reputation and goodwill of the businesses operating under the System and to maintain standards of operation under the System and to maintain the standards of operation under the Proprietary Marks, Franchisee shall operate the Hair Saloon in accordance with the Manuals, including such amendments thereto as Franchisor may publish. Franchisee shall at all times treat the Manuals and the information contained therein, as confidential, and shall maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manuals shall at all times remain the sole property of Franchisor and shall at all times be kept in a secure place on the Hair Saloon premises. Franchisee shall at all times ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of each of the Manuals maintained by Franchisor shall be controlling.

7.2 Confidentiality of Information: Franchisee acknowledges that the Manuals and other confidential information, knowledge, and know-how concerning Franchisor and the System are and shall remain trade secrets of Franchisor. Franchisee shall not, during the term of this Agreement or thereafter, communicate to, divulge to, or use for the benefit of anyone other than Franchisee, any confidential

information, knowledge, or know-how concerning Franchisor and/or the marketing, management or operations of the Hair Saloon (including, without limitation, the Manuals) which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such employees as must have access to it in order to operate the Hair Saloon. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates in the Manuals or otherwise in writing as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to Franchisee's attention prior to disclosure thereof by Franchisor or which, at the time of disclosure by Franchisor to Franchisee, had become or becomes a part of the public domain through publication or communication by others.

7.3 Irreparable Injury from Disclosure of Confidential Information: Franchisee acknowledges that any failure to comply with the requirements of this Section 7 will cause Franchisor irreparable injury for which damages are not an adequate remedy. Franchisee agrees that Franchisor may seek, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without posting a bond, an *ex parte* order for injunctive or other legal or equitable relief with respect to the requirements of this Section 7.

7.4 Confidentiality Covenants from Individuals Associated with Franchisee: Franchisee shall ensure that anyone associated with Franchisee shall keep confidential all information received about Franchisor and the Hair Saloon. At Franchisor's request, Franchisee shall require anyone who may have access to confidential information to execute covenants that they shall maintain the confidentiality of information that they receive in connection with their association with Franchisee. Such covenants shall be in a form approved by Franchisor including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8. ACCOUNTING AND RECORDS

8.1 Computer/POS System: Franchisee, at its expense, shall purchase or lease, and thereafter maintain, such computer/POS hardware and software, required dedicated telephone and power lines, high speed internet connection, modem(s), printer(s), and other computer-related accessories or peripheral equipment as Franchisor specifies, for the purpose of, among other functions, recording sales and other record keeping and central functions. Franchisor will require Franchisee to purchase proprietary software for use with Franchisee's computer/POS system. In connection with such proprietary software, Franchisee shall sign the then-current form of software license agreement, and submit the fees set forth in the software license agreement to Franchisor. Franchisee shall provide such assistance as may be required to connect its computer/POS system with Franchisor's computer system. Franchisor shall thereafter have the right from time to time and at any time to retrieve and use for any purpose such data and information from Franchisee's computer/POS system as Franchisor, in its sole and exclusive discretion, deems necessary or desirable. In view of the contemplated interconnection of computer/POS systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it will strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's computer/POS system.

8.2 Maintenance of Computer/POS System: To ensure full operational efficiency and optimum communication capability between and among computer/POS systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, to keep its computer/POS system in good maintenance and repair, and, at its expense, to promptly install such additions, changes, modifications, substitutions and/or replacements to Franchisee's computer/POS hardware, software, telephone and power lines, and other computer-related facilities as Franchisor directs.

8.3 Maintenance of Records: Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles. Franchisee acknowledges and agrees that Franchisor has the right to independently access all information collected by Franchisee at any time without first notifying Franchisee. There are no contractual limitations on Franchisor's right to access such information.

8.4 Submission of Performance Reports: Franchisee shall submit to Franchisor, for review or auditing, financial statements, including a balance sheet and income statement prepared on a monthly basis, Gross Revenues reports and performance reports for weekly periods, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manuals or otherwise in writing.

8.5 Submission of Financial Statements and Tax Returns: Franchisee shall, at its expense, provide Franchisor with a copy of Franchisee's financial statements showing the results of operations of the Hair Saloon for each fiscal year during the term of this Agreement. The statements shall include a statement of income and a balance sheet certified by Franchisee as true and correct and shall be furnished within ninety (90) days after the end of each fiscal year of the Hair Saloon. The fiscal year of the Hair Saloon must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Hair Saloon.

8.6 Audit of Franchisee Records: Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Hair Saloon and remove copies thereof from the Hair Saloon premises (or, if the Hair Saloon is developed pursuant to a Multi-Unit Development Agreement, from the principal place of business of the Developer, as defined in the Multi-Unit Development Agreement). Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Hair Saloon books, records, and accounts. If any inspection or audit reveals that any underpayment exists, Franchisee shall immediately pay to Franchisor the amount owing to Franchisor, as determined by the inspection or audit. Upon discovery of an understatement of two percent (2%) or more, or if Franchisee fails to timely provide Franchisor with any report required by Franchisor, Franchisee shall reimburse Franchisor for any and all expenses connected with such inspections or audits, including but not limited to reasonable accounting and legal fees in accordance with Section 4.5 hereof as well as interest on the amount of such understatement in accordance with the provisions of Section 4.5 hereof. Such payments shall be without prejudice to any other remedies Franchisor may have under this Agreement or otherwise at law.

9. PROMOTION AND ADVERTISING

Recognizing the value of promotion and advertising and the importance of the standardization of promotion and public relations programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

9.1 Supplying Promotional Materials: Franchisor shall from time to time provide to Franchisee, at Franchisee's expense, such promotional and public relations plans and materials as Franchisor deems advisable. Franchisee shall participate in the promotion of Hair Saloon Products and services as required and designated by Franchisor.

9.2 Grand Opening Advertising: Franchisee must spend at least Thirty Thousand Dollars (\$30,000) on grand opening advertising within sixty (60) days of opening the Hair Saloon. This amount is in addition to and not in lieu of the monthly minimum advertising expenditure by Franchisee for local advertising. Franchisee shall be required to submit receipts and/or other adequate proof of Franchisee's advertising expenditures. Franchisee must submit to Franchisor Franchisee's grand opening advertising materials for consent in accordance with Section 9.4 hereof. At Franchisor's sole discretion, Franchisee shall be required to pay such minimum amount of grand opening advertising expenses directly to Franchisor for its use, on Franchisee's behalf, in advertising the grand opening of the Hair Saloon.

9.3 Local Promotional Activities: Franchisee shall spend not less than three percent (3%) of its weekly Gross Revenues on local promotion and advertising; provided, however, that this amount shall be reduced by any contribution to a regional promotional cooperative made by Franchisee pursuant to Section 9.6 hereof and any contribution to advertising required under Franchisee's lease, but not by any payments made to the Brand Fund pursuant to Section 9.5 hereof.

9.4 Consent to Franchisee Advertising Materials: All promotion and advertising by Franchisee in any medium shall be conducted in a dignified manner and shall conform to the standards and requirements of Franchisor as set forth in the Manuals or otherwise in writing. Franchisee shall obtain Franchisor's prior consent to all promotional and advertising plans and materials that Franchisee desires to use. Franchisee shall submit such plans and materials to Franchisor (in the manner set forth in Sections 18 and 19 hereof); however, Franchisor shall be deemed to have consented to such plans and materials unless Franchisor rejects or requests changes to such plans and materials within seven (7) days from Franchisor's receipt thereof, and Franchisee shall not be required to seek Franchisor's consent to any advertising materials which Franchisor has consented to within the previous six (6) months, unless such materials have subsequently been rejected by Franchisor. Franchisee shall use no such plans or materials unless they have been consented to by Franchisor (or Franchisor has not responded within seven (7) days), and Franchisee shall promptly discontinue use of any promotional or advertising plans or materials upon notice from Franchisor. Notwithstanding Franchisor's deemed consent to any advertising materials, Franchisee will not advertise, or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as directed by Franchisor.

9.5 Brand Fund: Franchisor has established a fund for the national promotion and advertising of the System ("**Brand Fund**"). The Brand Fund shall be maintained and administered by Franchisor or its designee, as follows:

9.5.1 Franchisor or its designee shall direct all promotional and advertising programs with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the Proprietary Marks for the System and that Franchisor or its designee undertake no obligation in administering the Brand Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to insure that any particular Franchisee benefits directly or *pro rata* from expenditures by the Brand Fund.

9.5.2 Franchisee shall pay to Franchisor for the Brand Fund a weekly contribution in the amount of two percent (2%) of Franchisee's weekly Gross Revenues from the Hair Saloon. Each Hair Saloon owned by an affiliate of Franchisor shall make contributions to the Brand Fund on the same basis as assessments required of System franchisees.

9.5.3 The Brand Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing promotional and/or advertising activities including, among other things, the cost of preparing and

conducting digital, broadcast and print media advertising campaigns; direct marketing efforts and outdoor billboard promotion and advertising; marketing surveys; advertising activities; use of advertising and advertising agencies to assist therein; and promotional brochures, films, videos, and other marketing materials for use by Hair Saloons.

9.5.4 Franchisee shall contribute to the Brand Fund by a separate EFT, which shall be made payable to the Brand Fund. All sums paid by Franchisee to the Brand Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Brand Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional, and marketing programs. The Brand Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor or its designee shall maintain separate bookkeeping accounts for the Brand Fund.

9.5.5 It is anticipated that all contributions to and earnings of the Brand Fund shall be expended for promotional and/or advertising purposes during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Brand Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

9.5.6 The Brand Fund is not and shall not be an asset of Franchisor or its designee. A statement of the operations of the Brand Fund as shown on the books of the Brand Fund shall be prepared annually by an independent certified public accountant selected by Franchisor and shall be made available to Franchisee. Upon request, Franchisor shall make available for inspection by Franchisee the books and records of the Brand Fund.

9.5.7 Franchisor maintains the right to terminate the Brand Fund. The Brand Fund shall not be terminated, however, until all monies in the Brand Fund have been expended for promotional and/or advertising purposes or returned to contributors on the basis of their respective contributions.

9.6 Advertising Cooperative: Franchisor shall have the right, in its sole discretion, to designate any geographical area for purposes of establishing a regional promotional cooperative ("**Cooperative**") and to determine whether a Cooperative is applicable to the Hair Saloon. If a Cooperative applicable to the Hair Saloon has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Hair Saloon is established at any later time during the term of this Agreement, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. If the Hair Saloon is within the territory of more than one Cooperative, Franchisee shall be required to be a member of only one such Cooperative as determined by Franchisor. The following provisions shall apply to each Cooperative:

9.6.1 Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing. Franchisor shall retain the power, in its sole discretion, to create, change or dissolve any Cooperative.

9.6.2 Each Cooperative shall be organized for the exclusive purposes of administering regional promotional and advertising programs and developing, subject to Franchisor's consent, standardized promotional materials for use by the members in local advertising.

9.6.3 Each Cooperative shall prepare annual financial statements which shall reflect the contributions to, and the expenditures from, the Cooperative. Each member franchisee and the Franchisor shall have the right to review such financial statements.

9.6.4 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Sections 18 and 19 hereof.

9.6.5 Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative.

9.6.6 Each member franchisee shall submit to the Cooperative its contribution as provided in Section 9.6.5 hereof each Tuesday (unless a legal holiday falls on a Tuesday, in which case the payment shall be made on Wednesday), together with such other statements or reports as may be required by Franchisor or by the Cooperative with Franchisor's prior approval.

9.7 Internet and World Wide Web: Franchisee specifically acknowledges and agrees that any Website (as defined below) shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's consent under the provisions of Section 9.4 above. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages and social media pages (such as LinkedIn, Facebook or Twitter). In connection with any Website, Franchisee agrees to the following:

9.7.1 Franchisee shall not establish a separate Website using any Proprietary Mark or otherwise connected with the Hair Saloon without Franchisor's consent. Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Hair Saloon within Franchisor's Website.

9.7.2 Although Franchisor does not expect to do so, if Franchisor consents, in writing, to a separate Website for Franchisee, then each of the following provisions shall apply:

9.7.2.1 Franchisee shall not establish or use the Website without Franchisor's prior written consent.

9.7.2.2 Before establishing the Website, Franchisee shall submit to Franchisor, for Franchisor's prior written consent, a sample of the proposed Website domain address or user name, format, visible content (including, but not limited to, proposed screen shots), and non-visible content (including, but not limited to, meta tags) in the form and manner Franchisor may reasonably require; and Franchisee shall not use or modify such Website without Franchisor's prior written consent or otherwise as permitted in accordance with the Website policies set forth in the Manuals.

9.7.2.3 In addition to any other applicable requirements, Franchisee shall comply with Franchisor's standards and specifications for Websites as prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

9.7.2.4 If required by Franchisor, Franchisee shall establish such hyperlinks or other links to Franchisor's Website and others as Franchisor may require.

9.7.2.5 Franchisor may revoke its consent at any time and require that Franchisee discontinue use of a separate Website.

9.7.2.6 With respect to any Website that is hosted on a domain address of a third party, such as a social media outlet like LinkedIn, Facebook or Twitter, in addition to the other requirements set forth in this Section 9.7.2, Franchisor shall have the right to restrict the content that is permitted to be posted to such social media outlet, whether or not posted by Franchisee, and Franchisor shall have the right to require Franchisee to give Franchisor administrative control and/or log-in information for any such Website.

9.7.3 Any advertising on the Internet, delivered by facsimile, electronic mail or other electronic means shall be pre-approved by us and on terms specified by us.

9.8 Telephone Number and Promotion: Franchisee shall establish a local telephone number for the Hair Saloon and, when applicable, list the telephone number and address of the Hair Saloon under the name “Hair Saloon” or such other name as Franchisor may designate. All advertising and promotion in such mediums (beyond a simple listing of name, address and telephone number) shall be subject to Franchisor’s prior consent pursuant to Section 9.4 above. Furthermore, Franchisee’s rights to retain its assigned telephone number, local directory listings and advertisements, and Internet listings are subject to the provisions of Section 13.3 herein.

10. INSURANCE

10.1 Franchisee’s Insurance Obligations: Franchisee shall procure, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee’s expense, an insurance policy or policies protecting Franchisee, Franchisor, and Franchisor’s affiliates, and their respective shareholders, partners, members, directors, officers, managers, employees and agents against any demand or claim with respect to personal and bodily injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Hair Saloon. Such policy or policies shall: (i) be written by insurer(s) acceptable to Franchisor; (ii) name Franchisor and its shareholders, officers, directors, employees, and agents as additional insureds; (iii) comply with the requirements prescribed by Franchisor at the time such policies are obtained; (iv) provide at least the types and minimum amounts of coverage specified in the Manuals or otherwise in writing; and (v) contain a waiver by Franchisee and its insurers of their subrogation rights against Franchisor and its affiliates, and their respective shareholders, partners, members, directors, officers, managers, employees and agents.

10.2 Franchisee’s Insurance Obligation Not Affected by Franchisor’s Insurance: Franchisee’s obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee’s performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 17.4 hereof.

10.3 Additional Required Endorsement: All public liability and property damage policies shall contain a provision that Franchisor and its affiliates, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor, its affiliates, their agents, or employees by reason of the negligence of Franchisee or its agents or employees.

10.4 Proof of Insurance: At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee and thereafter at least ten (10) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor copies of all policies required hereunder. All such policies shall expressly provide that no less than thirty (30) days’ prior written notice shall be given to Franchisor in the event of material alteration to or cancellation of the coverages under such policies, shall name Franchisor and each of its affiliates, and their shareholders, partners, directors, officers, agents, and employees as

additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which the policies evidence coverage.

10.5 Franchisor's Right to Secure Insurance on Behalf of Franchisee: Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, Franchisor shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge the premium on such insurance to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies that Franchisor may have.

11. TRANSFER OF INTEREST

11.1 Transfer by Franchisor: Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. In addition, and without limitation to the foregoing or to the rights reserved by Franchisor in Section 1.5, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

11.2 Transfer by Franchisee:

11.2.1 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on the business skill, financial capacity, and personal character of Franchisee (and, in the event Franchisee is other than an individual, of the owners of a beneficial interest in Franchisee). Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this franchise, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in this franchise, in Franchisee, or in the Hair Saloon assets, shall sell, assign, transfer, convey, pledge, merge, create a security interest in, or give away (collectively, "**Transfer**") any rights or obligations hereunder and/or any direct or indirect interest in this franchise (including any direct or indirect interest in a corporate, limited liability company or partnership Franchisee, or in the assets of Franchisee), in any legal entity which owns this franchise, or in all or a substantial portion of the Hair Saloon assets without the prior written consent of Franchisor. Any purported Transfer, by operation of law or otherwise, not having the written consent of Franchisor required by this Section 11.2.1 shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may exercise any contractual remedies, including (but not limited to) termination of this Agreement without opportunity to cure pursuant to Section 12.2.4 hereof.

11.2.2 Franchisor shall not unreasonably withhold its consent to a Transfer of any rights or obligations hereunder and/or any direct or indirect interest in this franchise (including any direct or indirect interest in a corporate, limited liability company or partnership Franchisee, or in the assets of Franchisee), in any legal entity which owns this franchise, or in all or a substantial portion of the Hair Saloon assets; provided, however, that Franchisor reserves the right not to consent to such a Transfer to a publicly-held corporation, to any third party that sells or performs, or whose owners or affiliates sell or perform, goods or services that are the same or similar as those offered by the Hair Saloon, or to an existing franchisee of Franchisor or its affiliates; and provided further, that if a Transfer, alone or together with other previous, simultaneous, or proposed Transfers, would have the effect of transferring a controlling interest in Franchisee, in this franchise, or in all or a substantial portion of the Hair Saloon assets, Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

11.2.2.1 All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates, or to any third party arising from or in connection with the operation of the Hair Saloon, shall have been satisfied.

11.2.2.2 Franchisee shall not be in default under any provision of this Agreement, any amendment hereof or successor hereto, any other agreement between Franchisee or its affiliates and Franchisor, or its affiliates, or of any lease or sublease for the Hair Saloon premises.

11.2.2.3 The transferor (and, if the transferor is other than an individual, the transferor and such owners of a beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their shareholders, partners, directors, officers, agents, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances.

11.2.2.4 The transferor shall pay to Franchisor a transfer fee which shall be twenty five percent (25%) of the amount of the initial franchise fee specified in the standard form franchise agreement then being offered to new System franchisees; provided, however, if Franchisee is an individual or general partnership and transfers its rights under this Agreement to a limited liability entity formed by Franchisee for its convenience, no such transfer fee shall be required; provided further, that in the event any broker fee is owed as a result of such Transfer, the transferor shall pay, in addition to all other amounts specified herein, the amount of such broker fee.

11.2.2.5 At Franchisor's option, the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) shall either (i) enter into a written assignment, in a form satisfactory to Franchisor (including the execution of personal guarantees), assuming and agreeing to fulfill all of Franchisee's obligations hereunder, or (ii) execute, for a term ending on the expiration of this Agreement and with such right to obtain successor terms as may be provided in this Agreement, the standard form franchise agreement and any ancillary documents then being offered to new System franchisees (including the execution of personal guarantees).

11.2.2.6 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) shall demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's then-current standards for new franchisees in the System including, without limitation, Franchisor's standards concerning related business experience and financial condition; that the transferee is not a competitor of Franchisor (or an existing franchisee of a competitor); and that the terms of the proposed Transfer do not place an unreasonable financial or operational burden on the transferee.

11.2.2.7 The transferee shall, at its expense and in a manner satisfactory to Franchisor, refurbish, renovate, and/or reconstruct the Hair Saloon, to conform to the building design, trade dress, color schemes, and presentation of the Proprietary Marks to the image then in effect for new or the most recently remodeled Hair Saloons, including, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements.

11.2.2.8 The transferee and its designated managerial personnel shall have completed, to Franchisor's satisfaction, the training then required by Franchisor for new franchisees.

11.2.2.9 Franchisee shall remain liable for all of the obligations to Franchisor and its affiliates in connection with the Hair Saloon arising prior to the effective date of the

Transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability.

11.2.2.10 Franchisee acknowledges that, if it enters this Agreement pursuant to a Multi-Unit Development Agreement with Franchisor, it shall not be unreasonable for Franchisor (at its option) to refuse to consent to a Transfer if Franchisee does not also execute a Transfer (with the same transferee) of its right and interest in that Multi-Unit Development Agreement and in all other Hair Saloons it operates pursuant to that Multi-Unit Development Agreement.

11.3 Right of First Refusal: If any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Hair Saloon desires to accept any *bona fide* offer from a third party to purchase such interest, Franchisee shall notify Franchisor of such offer at least forty-five (45) days before such Transfer is proposed to take place, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within forty-five (45) days after receipt of such written notification and any background materials concerning the proposed Transfer that Franchisor shall reasonably request, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor declines to purchase the seller's interest, Franchisee shall have ninety (90) days from the earlier of (i) receipt of a notice from Franchisor declining to exercise its right of first refusal, or (ii) forty-five (45) days after Franchisor's receipt of the transferor's written notification of the proposed Transfer, to close on the transfer of such interest, subject to Franchisor's approval pursuant to this Section 11. Failure to effect a Transfer with the third party within such ninety (90) day period, or any material change thereafter in the terms of the offer prior to closing, shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 11.3 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 11, with respect to a proposed Transfer.

11.4 Covenants by Transferees: Franchisor shall have the right to require as a condition pre-requisite to its consent to any Transfer that the transferee (including, in the event that the transferee is a corporation, its officers, directors and shareholders, if the transferee is a partnership, all general and limited partners, and if the transferee is a limited liability company, its members and managers) execute the covenants concerning confidentiality, as set forth in Section 7.4 hereof, and non-competition, as set forth in Section 14.8 hereof.

11.5 Transfer Upon Death or Permanent Incapacity: Upon the death or permanent incapacity (mental or physical) of Franchisee (if Franchisee is an individual), or of any person with a controlling interest in this franchise or in Franchisee (if Franchisee is a corporation, limited liability company or partnership), the executor, administrator, or personal representative of such person shall Transfer this person's interest to a third party approved by Franchisor within six (6) months after such death or permanent incapacity. Upon such death or permanent incapacity and until such Transfer is effected, Franchisor shall have the right, but not the obligation, to appoint a Manager to operate the Hair Saloon, and Franchisee shall pay all the costs and expenses incurred by the Manager, including, without limitation, the costs of travel, food, lodging, and wages. Such Transfers of interest, including those made by devise or inheritance, shall be subject to the same conditions as any *inter vivos* Transfer, except that the estate shall not be required to pay a transfer fee. However, in the case of Transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 11, the personal representative of the deceased Franchisee shall have six (6) months to dispose of the deceased's interest in this franchise, which disposition shall be subject to all the terms and conditions for Transfers contained in this Agreement. If the

personal representative does not dispose of such interest within six (6) months, Franchisor may, at its option, terminate this Agreement.

11.6 Non-Waiver of Claims: Franchisor's consent to a Transfer shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

11.7 Transfer by Franchisee Bankruptcy - Right of First Refusal: If, for any reason, this Agreement is not terminated pursuant to Section 12.1 and this Agreement is assumed or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated pursuant to the United States Bankruptcy Code, as amended, then notice of such proposed assignment or assumption, setting forth (a) the name and address of the proposed assignee and (b) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement and, in any event, within ten (10) days prior to the date that the application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor itself, upon the same terms and conditions and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement.

11.8 Incorporation of Franchisee: Notwithstanding any provision in Section 11 to the contrary, Franchisee (if an individual or general partnership) may assign this Agreement, the Hair Saloon assets, and/or Franchisee's rights and obligations hereunder on one occasion to a limited liability entity organized by Franchisee for that purpose only; however, Franchisee must continue to own at least a majority of all of the beneficial interest in such limited liability entity. Such limited liability entity shall at no time engage in any business or activities other than the exercise of the rights herein granted to the Franchisee and the performance of its obligations as a franchisee hereunder.

12. DEFAULT AND TERMINATION

12.1 Automatic Termination: Franchisee shall be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law is instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Approved Location or the Hair Saloon's assets is instituted against Franchisee and not dismissed within thirty (30) days; or if the Hair Saloon's real or personal property is sold after levy thereupon by any sheriff, marshal, or constable; or if Franchisee's assets, property or interests are "blocked" under any law, ordinance or regulation relating to terrorist activities, or if Franchisee is otherwise in violation of any such law, ordinance or regulation.

12.2 Termination With Notice and Without Opportunity to Cure: Franchisee shall be in default, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without

affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, upon the occurrence of any of the following events:

12.2.1 If Franchisee fails to secure an Approved Location within the time limits as provided in Section 1.1 hereof (and the Site Selection Addendum hereto), or fails to construct and open the Hair Saloon within the time limits as provided in Section 5.5 hereof;

12.2.2 If Franchisee at any time ceases to operate or otherwise abandons the Hair Saloon for a period of three (3) consecutive days, loses the right to possession of the Hair Saloon premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Hair Saloon is located; provided, however, that if, through no fault of Franchisee, the Hair Saloon premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Hair Saloon premises, which approval shall not be unreasonably withheld;

12.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Hair Saloon;

12.2.4 If Franchisee or any partner, member or shareholder in Franchisee purports to execute a Transfer of any rights or obligations hereunder or any interest in Franchisee or the Hair Saloons assets to any third party without Franchisor's prior written consent, contrary to the terms of Section 11 hereof;

12.2.5 If Franchisee fails to comply with the in-term covenant in Section 14.1 hereof or fails to deliver to Franchisor the executed covenants required under Sections 7.4 and 14.7 hereof;

12.2.6 If an approved Transfer is not effected within a reasonable time, as required by Section 11.5 hereof, following Franchisee's death or permanent incapacity;

12.2.7 If Franchisee, after curing a default pursuant to Section 12.3 hereof, commits the same default again in the twelve-month period, whether or not cured after notice;

12.2.8 If Franchisee repeatedly is in default under Section 12.3 hereof for failure to comply substantially with any of the requirements imposed by this Agreement, whether or not cured after notice;

12.2.9 If Franchisee (or an officer or director of, or a shareholder in, Franchisee if Franchisee is a corporation, or a general or limited partner of Franchisee, if Franchisee is a partnership) is convicted of, pleads no contest to, commits or is alleged to have committed, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the operation of the Hair Saloon, the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

12.2.10 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks, institutes any unauthorized litigation regarding the Proprietary Marks, or otherwise materially impairs the goodwill associated therewith or the rights of Franchisor or its affiliates therein;

12.2.11 If Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to a Proprietary Mark;

12.2.12 If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor;

12.2.13 If Franchisee or any affiliate of Franchisee commits any act of default under any other franchise agreement with Franchisor for which such agreement is terminated;

12.2.14 If, contrary to the terms of Section 7 hereof, Franchisee or any principal of Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

12.2.15 If, within ten (10) days after receipt of written notice from Franchisor that any required payment is overdue, Franchisee does not make such payment to Franchisor, Franchisor's affiliates, or Franchisee's suppliers or creditors, unless, with respect to Franchisee's suppliers or creditors, Franchisee notifies Franchisor of the existence of a *bona fide* dispute and takes immediate action to resolve it;

12.2.16 If Franchisee or any principal or agent of Franchisee has made any material misrepresentations in connection with Franchisee's application to Franchisor for the franchise granted herein;

12.2.17 If Franchisee understates any payment to Franchisor by five percent (5%) or more;

12.2.18 If Franchisee or any Trainee fails to successfully complete the initial training program required by Section 5.6 hereof;

12.2.19 If Franchisee takes, withholds, misdirects, or appropriates for Franchisee's own use any funds withheld from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers;

12.2.20 If Franchisee loses or is denied any federal, state or local license that Franchisee must possess in order to operate the Hair Saloon; and

12.2.21 If Franchisee is found liable by any judicial or arbitral body for violation of federal, state or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age or sexual orientation.

12.3 Termination With Notice and Opportunity to Cure: Except as provided in Sections 12.1 and 12.2 hereof, upon any default by Franchisee which is susceptible of being cured, Franchisor may terminate this Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30) day period (or within such shorter time period as Franchisor may reasonably specify) and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Defaults which are susceptible to cure under this Agreement may include, but are not limited to, the following illustrative events:

12.3.1 If Franchisee refuses to permit Franchisor to inspect Franchisee's Hair Saloon, books, records, and other documents pursuant to Franchisor's right to do so under this Agreement.

12.3.2 If the Franchisee fails to maintain or observe any of the standards or procedures prescribed by Franchisor in this Agreement, the Manuals, or otherwise in writing;

12.3.3 If Franchisee or any partner, shareholder, employee, director, officer, or agent of Franchisee, engages in any activity which Franchisor, in its sole discretion, believes to be contrary to the fundamental principles of Franchisor and the “Hair Saloon” concept, including, but not limited to, displaying any books, magazines, television shows, videos or other physical or computerized images which may not legally be viewed by or sold to persons under the age of eighteen (18);

12.3.4 If Franchisee fails to comply with the material terms and conditions of the lease or sublease for the Hair Saloon premises;

12.3.5 If Franchisee uses, sells or offers for sale unapproved products;

12.3.6 If Franchisee fails to fully comply with the provisions of Sections 5.8 or 5.18 hereof in a timely manner;

12.3.7 If Franchisee uses, sells or offers for sale Hair Saloon Products or Approved Products obtained from sources not designated or approved by Franchisor;

12.3.8 If Franchisee’s shareholders, partners or members have failed to resolve any dispute among themselves which Franchisor reasonably believes is materially and adversely affecting Franchisee’s operation of the Hair Saloon, or compliance with the terms and conditions of this Agreement or is harming the goodwill under the System and the Proprietary Marks; or

12.3.9 If Franchisee fails to maintain any insurance coverage required under Section 10 hereof.

12.4 Operation of Hair Saloon In Event of Default: In addition to any other rights of Franchisor under this Agreement, if Franchisee closes or abandons the Hair Saloon for more than three (3) consecutive days (except if such closure or abandonment is due to damage or destruction by an insured risk, statutory or local authority requirements, renovation of the Hair Saloon, or works being undertaken by the landlord in accordance with the terms of the lease or sublease for the Hair Saloon), Franchisor shall have the right, but not the obligation, to operate the Hair Saloon for up to thirty (30) days, at Franchisee’s sole cost and expense, in order to protect and maintain the reputation and goodwill of the System and the Proprietary Marks. Franchisee agrees to indemnify and hold Franchisor and its officers, directors, shareholders, agents, employees, and designees harmless against any and all claims, suits, proceedings, liability, costs, damages, expenses, obligations, and losses arising directly or indirectly from, as a result of, or in connection with activities or actions undertaken pursuant to this Section.

12.5 Non-Exclusive Remedy: Franchisor’s right to terminate this Agreement shall be cumulative of and shall not preclude the exercise of any other remedies Franchisor may have under this Agreement or applicable law.

13. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate and revert to Franchisor, and except to the extent permitted by any other currently effective Franchisor franchise agreements entered into by Franchisee:

13.1 Cessation of Hair Saloon Operations: Franchisee shall immediately cease to operate the Hair Saloon, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

13.2 Cessation of Use of Confidential Information and Proprietary Marks: Franchisee shall immediately and permanently cease to use all confidential methods, procedures, and techniques associated with the System and all Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, promotions, and advertising materials, displays, stationery, forms, bags, and any other articles which display the Proprietary Marks.

13.3 Transfer or Cancellation of Certain Items: Franchisor shall have the option, to be exercised within thirty (30) days of termination, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, white and yellow pages telephone directory listings and advertisements (whether in print or as part of an Internet directory), and e-mail addresses and/or Internet domain names which contain any Proprietary Mark of Franchisor or its affiliates, and Franchisee shall execute all documents necessary to permit Franchisor to assume Franchisee's rights to those items. If Franchisor elects not to exercise this option, Franchisee shall take all actions necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance with this obligation within fifteen (15) days after it receives notice that Franchisor termination or expiration of this Agreement. In the event that Franchisee fails to do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf.

13.4 Assignment of Lease: Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Hair Saloon premises and thereafter vacate the Hair Saloon premises, rendering all necessary assistance to Franchisor to enable it to take prompt possession thereof. In the event that Franchisee fails to do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney in fact, to make such assignment on Franchisee's behalf. In the event that Franchisor elects to exercise its option to acquire the lease or sublease of the Hair Saloon premises, Franchisee shall also assign the telephone number associated with the Hair Saloon to Franchisor. In the event that Franchisor does not elect to exercise its option to acquire the lease or sublease for the Hair Saloon premises, Franchisee shall make such modifications or alterations to the premises (including, without limitation, the changing of the telephone number, floor tiles, cabinetry, interior color, and the storefront) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the premises from the appearance of other Hair Saloon premises under the System and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 13.4, Franchisor shall have the right to enter upon the Hair Saloon premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. The provisions of this Section 13.4 shall not conflict with or supercede the covenants contained in Section 14.2 of this Agreement.

13.5 Modification of Premises to Avoid Public Confusion: Franchisee agrees, in the event that it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's and its affiliates' rights in and to the Proprietary Marks and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

13.6 Franchisee Payment of Monies Due: Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor or such affiliates as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Hair Saloon premises at the time of default. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute on Franchisee's behalf such documents as are necessary to obtain and perfect such lien. Franchisor shall have the right to set-off any amounts which it deems are payable to it by Franchisee.

13.7 Franchisee Payment of Franchisor's Cost in Securing Franchisee Compliance with Post-Termination Obligations: Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 13.

13.8 Return of Manuals and Other Confidential Information: Franchisee shall immediately deliver to Franchisor all copies of any confidential information, Manuals and proprietary software it has in its possession, as well as all identifying information regarding customers of the Hair Saloon, all of which are acknowledged to be the property of Franchisor. Franchisee shall also disconnect any connections, and/or return any means of access, to Franchisor's computer/POS system. However, Franchisee shall retain its Gross Revenues data and financial statements from its operation of the Hair Saloon for a period of not less than one year from the date it receives a Notice of Termination from Franchisor.

13.9 Franchisor Right to Purchase Hair Saloon Assets: Franchisor shall have the option, to be exercised within forty-five (45) days after termination, to purchase from Franchisee any or all of the inventory, furnishings, equipment, signs, fixtures, or supplies of Franchisee related to the operation of the Hair Saloon. Such purchases of Franchisee's undamaged or unused inventory or supplies shall be at the price Franchisee paid for such items, while purchases of furnishings, equipment, signs or fixtures shall be at Franchisee's depreciated book value. Franchisee shall provide Franchisor with all data necessary for Franchisor to determine Franchisee's costs (or depreciated book value) for such items within ten (10) days of receiving a request for such information from Franchisor. If Franchisor elects to exercise any option to purchase herein provided, the closing shall take place within forty-five (45) days after Franchisor's notice of intent to purchase has been furnished to Franchisee. Franchisor shall have the right to set off all amounts due from Franchisee (including, without limitation, damages, costs, and expenses associated with the termination of this Agreement) and the cost of the appraisal, if any, against any payment therefor.

13.10 Compliance with Post-Term Covenants: Franchisee shall comply with the post-term covenants contained in Sections 7 and 14 hereof.

14. COVENANTS

14.1 Non-Competition During Term of Agreement: Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, association, partnership, or corporation:

14.1.1 Divert or direct, or attempt to divert or direct, any business or customer of the Hair Saloon to any other business, by direct or indirect solicitation, inducement or otherwise, or do or

perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

14.1.2 Own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with, a business which offers the same or similar goods and services as those offered by the Hair Saloon.

14.2 Non-Competition After Expiration of Term of Agreement: Except to the extent permitted by any other currently effective franchise agreements entered into between Franchisor and Franchisee, commencing upon the date of: (a) a transfer permitted under Section 11 hereof; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final arbitration or court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 14.3, and continuing for a uninterrupted period of two (2) years thereafter, Franchisee shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business which offers the same or similar goods and services as those offered by the Hair Saloon and which is located within (a) the Franchise Territory, as defined in the Site Selection Addendum hereto, or (b) within two (2) miles of any Hair Saloon owned or operated by Franchisor, its subsidiaries or affiliates, or any other franchisee. It is understood that the purpose of this covenant is not to deprive Franchisee of a means of livelihood and it will not do so, but is rather to protect the goodwill and interest of Franchisor and the System.

14.3 Exceptions to Non-Compete Covenants: Sections 14.1 and 14.2 hereof shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

14.4 Reducing Scope of Covenants: Franchisor shall have the right, in its sole discretion, to reduce the obligations of the Franchisee under any covenant set forth in Sections 14.1 and 14.2 hereof, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof. Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 20 hereof.

14.5 Enforceability of Covenants Not Affected by Franchisee Claims: Franchisee expressly agrees that the existence of any claims that it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in Sections 7 and 14 hereof. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Franchisor in connection with the enforcement of Sections 7 and 14 hereof. The terms of these restrictive covenants are assignable by Franchisor and shall inure to the benefit of Franchisor, as well as its successors and assigns. In the event of any assignment, sale, merger or change in ownership or structure of Franchisor, the resulting entity shall step into the place of Franchisor without any additional consent of or notice to Franchisee, as if the term Franchisor were defined in this Agreement to include such entity.

14.6 Breach of Covenants Cause Irreparable Injury: Franchisee acknowledges that Franchisee's violation of the terms of Sections 7 and 14 hereof would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly agrees that Franchisor may seek the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of Sections 7 and 14 hereof.

14.7 Covenants from Individuals: At Franchisor's request, Franchisee shall require and obtain execution of covenants of confidentiality and non-competition similar to those set forth in Section 7 and Section 14 hereof (including covenants applicable upon the termination of a person's relationship with Franchisee) from (1) any Manager and any other personnel employed by Franchisee who have received or will have received training from Franchisor or any other persons having a connection with the Hair Saloon; (2) if Franchisee is a limited liability entity, all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, who were not signatories to the Guarantee contained in Exhibit B hereto; and (3) if Franchisee is a partnership, the general partners and any limited partners (including any corporation and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation that controls, directly or indirectly, any general or limited partner), who were not signatories to Exhibit B hereto. The covenant required by this Section 14.7 shall be in a form specified by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenant with the independent right to enforce it. A failure on the part of Franchisee to obtain the covenants required by this Section 14.7 shall be deemed a default under Section 12.3 of this Agreement.

15. FRANCHISEE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

15.1 Corporate Franchisee: Except as otherwise approved in writing by Franchisor, if Franchisee is a corporation, it shall: (i) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Hair Saloon and other Hair Saloons under Franchise Agreements with the Franchisor; (ii) furnish Franchisor with its articles of incorporation and bylaws as well as such other documents that Franchisor may reasonably request; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request; and (vi) not attempt to register under the Securities Act of 1933 or the Securities Exchange Act of 1934 or issue securities exempt from such registration.

15.2 Partnership Franchisee: If Franchisee is a partnership it shall: (i) confine its activities exclusively to operating the Hair Saloon and other Hair Saloons under Franchise Agreements with Franchisor; (ii) furnish Franchisor with its partnership agreement, as well as such other documents as Franchisor may reasonably request and any amendments thereto; and (iii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Franchisee.

15.3 Limited Liability Company Franchisee: If Franchisee is a limited liability company, it shall: (i) confine its activities exclusively to operating the Hair Saloon and other Hair Saloons under Franchise Agreements with the Franchisor; (ii) furnish Franchisor with its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Franchisee; and (iv) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

16. TAXES

16.1 Payment of Taxes: Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, imposed upon or required to be collected or paid by Franchisor by

reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license or lease of property or property rights provided by this Agreement, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties and any similar taxes or levies; provided, however, that Franchisee's obligation to pay Franchisor for any income-type tax which is levied or assessed by Franchisee's state or local government on the portion of Franchisor's income arising from Franchisee's payments under this Agreement shall be limited solely to the portion of such taxes levied or assessed which exceed the rate of income tax levied on Franchisor by the state and local governmental authorities of its principal place of business.

16.2 Challenging Tax Assessment: In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law.

17. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

17.1 No Fiduciary Relationship: This Agreement does not create a fiduciary relationship between the parties hereto. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

17.2 Public Notice of Independent Status: Franchisee shall conspicuously identify itself and the Hair Saloon in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor and shall place such notice of independent ownership in its Hair Saloon on windows and/or walls and on all forms, business cards, stationery, advertising, signs, and other materials and in such fashion as Franchisor may specify from time to time in the Manuals or otherwise in writing.

17.3 Independent Contractor: Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisee acknowledges that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of any such action, nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Hair Saloon or for any claim or judgment arising therefrom against Franchisee or Franchisor.

17.4 Indemnification: Franchisee shall indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its affiliates and their respective directors, officers, employees, shareholders, and agents (collectively "**indemnitees**") from any and all losses and expenses (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Hair Saloon including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Hair Saloon premises (collectively "**event**"), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 17.4, the term "**losses and expenses**" shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation

for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Franchisee shall give Franchisor prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek the advice and counsel of Franchisee. Any such assumption of Franchisor shall not modify Franchisee's indemnification obligation. Franchisor may, in its sole judgment, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole judgment, necessary for the protection of the indemnitees or the System.

18. APPROVALS AND WAIVERS

18.1 Obtaining Approvals: Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement or by reason of any neglect, delay, or denial of any request therefor.

18.2 No Waiver: No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee, or by any other franchisee, of any of the terms, provisions, or covenants of this Agreement or any other Franchisor franchise agreement, and no custom or practice by the parties at variance with the terms hereof, shall constitute a waiver by Franchisor of its rights to enforce any such right, opinion, or power as against Franchisee or as to a subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

19. NOTICES

19.1 Notices: Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by telecopier, mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	Hair Saloon Franchise Company Attention: President 1846 Craig Park Court St. Louis, Missouri 63146
Notices to Franchisee:	_____ _____ _____

Notices shall be deemed to have been received as follows: by personal delivery or telecopier -- at the time of delivery; by overnight delivery service -- on the next business day following the date on which the Notice was given to the overnight delivery service; and certified mail -- three (3) days after the date of mailing.

20. ENTIRE AGREEMENT

20.1 Entire Agreement: This Agreement, any attachments hereto, and any ancillary agreements between Franchisee and Franchisor or any affiliate which are executed contemporaneously with this Agreement constitute the entire and complete Agreement between Franchisor (and, if applicable, any affiliate) and Franchisee concerning the subject matter thereof and supersede all prior agreements. Franchisee acknowledges that it is entering into this Agreement and any ancillary agreements executed contemporaneously herewith as a result of its own independent investigation of the business franchised hereby and not as a result of any representations made by Franchisor or persons associated with Franchisor or other franchisees which are contrary to the terms herein set forth or which are contrary to the terms of any disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law; provided that nothing in this or any related agreement is intended to disclaim the representations made in Franchisor's franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunities" (the "**Franchise Disclosure Document**"). Except for those permitted hereunder to be made unilaterally by Franchisor, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

21. SEVERABILITY AND CONSTRUCTION

21.1 Severability and Construction: Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Agreement shall be considered severable. If, for any reason, any section, part, term, or provision herein is determined to be invalid and contrary to or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of or have any other effect upon, such other portions, sections, parts, terms, and provisions of this Agreement as may remain otherwise intelligible; the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, or provisions shall be deemed not to be a part of this Agreement. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

21.2 No Third Party Beneficiaries: Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's affiliates, shareholders, directors, officers, and employees, and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

21.3 Survival of Modified Provisions: Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

21.4 Captions: All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.5 Survival of Obligations After Expiration or Termination of Agreement: Any provision or covenant of this Agreement that by its terms or by reasonable implication are to be performed in whole or in part after the expiration or termination of this Agreement shall survive such expiration or termination.

21.6 Execution and Electronic Signatures: This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all related documents may be executed and delivered by facsimile or other electronic signature method by any of the parties to any other party and each will be deemed original signatures. Electronic copies of this document shall constitute and be deemed an original copy of this document for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this document. The receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

22. APPLICABLE LAW; DISPUTE RESOLUTION

22.1 Choice of Law: Any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, except to the extent governed by the United States Trademark Act of 1946, shall be interpreted and construed under the laws of the State of Missouri (without reference to its conflict of laws principles). If, however, any provision of this Agreement would not be enforceable under the laws of the State of Missouri, and if the Hair Saloon is located outside of the State of Missouri and the provision would be enforceable under the laws of the state in which the Hair Saloon is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the state where the Hair Saloon is located. The Federal Arbitration Act governs all matters relating to arbitration. References to any law or regulation refer to any successor laws or regulations or any published regulations for any statute, as in effect at the relevant time. Notwithstanding anything contained in this Agreement to the contrary, if any valid applicable law or regulation of a governmental authority having jurisdiction over this Agreement limits Franchisor's rights of rescission or termination, requires longer notice periods than set forth herein, or limit the effectiveness of the non-competition covenants set forth herein, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon rescission, termination, and non-competition required by such laws or regulations.

22.2 Mediation: Except as otherwise provided in this Agreement, any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, except for any actions brought with respect to: (i) ownership or use of the Proprietary Marks; (ii) issues concerning the alleged violations of federal or state antitrust laws; (iii) securing injunctive relief pursuant to Section 22.6 of this Agreement; or (iv) the right to indemnification or the manner in which it is exercised, shall first be subject to non-binding mediation in the city of Franchisor's principal place of business at the time such claim or controversy arises. Mediation shall not defer or suspend Franchisor's exercise of any termination right under Section 13.

22.2.1 No arbitration or litigation may be commenced on any claim which is subject to mediation under Section 22.2 prior to the mediation termination date, as defined below, whether or not the mediation has been commenced. Mediation under this Section 22.2 is not intended to alter or suspend the rights or obligations of the parties under this Agreement or to determine the validity or effect of any provision of this Agreement, but is intended to furnish the parties an opportunity to resolve disputes amicably, expeditiously and in a cost-effective manner on mutually acceptable terms.

22.2.2 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation giving written notice of the request for mediation to the party with whom

mediation is sought. The request shall specify with reasonable particularity the matters for which non-binding mediation is sought.

22.2.3 Non-binding mediation hereunder shall be conducted by a mediator or mediation program designated by Franchisor in writing. Franchisor shall make the designation within a reasonable time after issuance of the request.

22.2.4 Non-binding mediation hereunder shall be concluded within sixty (60) days of the issuance of the request, or such longer period as may be agreed upon by the parties in writing (“**mediation termination date**”). All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. The parties shall bear their own costs of mediation, and shall share equally in the cost of the mediator or mediation service.

22.3 Arbitration: Except for any actions brought with respect to: (i) ownership or use of the Proprietary Marks; (ii) issues concerning the alleged violations of federal or state antitrust laws; (iii) securing injunctive relief or specific performance pursuant to Section 22.6 of this Agreement; or (iv) the right to indemnification or the manner in which it is exercised, any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, shall be finally settled by arbitration pursuant to the then-prevailing Commercial Arbitration Rules of the American Arbitration Association or any successor thereto (“**AAA**”), except to the extent the AAA Commercial Arbitration Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied.

22.3.1 The arbitration shall be conducted by one arbitrator mutually selected by the parties who has at least 5 years of substantial experience in franchise law. All arbitration proceedings shall take place in the office of the AAA that is closest to Franchisor’s principal place of business at the time such claim or controversy arises. Each party will be limited to 25 document requests, 15 interrogatories and 2 depositions unless otherwise agreed to between the parties. For purposes of this Section 22.3, in any dispute that names, involves or includes Franchisor, its respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

22.3.2 The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, and attorneys’ fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability of this Section 22.3, including but not limited to any claim that all or any part of this Section is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modified or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section 22.3 except to the extent permitted by applicable law. The arbitrator must submit a reasoned award and this award must be consistent with the terms of this Agreement. If the arbitrator’s award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, Franchisor may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not Franchisor was a party) will not be binding on Franchisor in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

22.3.3 The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, Franchisee and Franchisor will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the transfer of this Agreement, or the termination or expiration of the term of this Agreement. Except as provided in Section 22.3.1 above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

22.4 Venue: Regardless of the physical location of Franchisee, it is understood and agreed by Franchisee that this Agreement is made and entered into in St. Louis County, Missouri, and that to the extent that a judicial action is permitted by the Agreement, any such action brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state court located in St. Louis County, Missouri or in the United States District Court where Franchisor's headquarters are located. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

22.5 Limitation of Legal Actions:

22.5.1 IN NO EVENT WILL FRANCHISOR BE LIABLE TO FRANCHISEE FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE.

22.5.2 THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.

22.5.3 ANY DISAGREEMENT BETWEEN FRANCHISEE AND FRANCHISOR (AND ITS AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND FRANCHISEE WAIVES ANY RIGHT TO PROCEED AGAINST FRANCHISOR (AND ITS AFFILIATES, STOCKHOLDERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

22.5.4 FRANCHISEE WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE, UNLESS A JUDICIAL PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

22.5.5 FRANCHISOR'S MAXIMUM AGGREGATE LIABILITY AND THE MAXIMUM AGGREGATE LIABILITY OF ANY OF ITS OFFICERS, OWNERS, DIRECTORS, MEMBERS, MANAGERS, EMPLOYEES, AFFILIATES, PARENTS OR SUBSIDIARIES RELATED TO ANY AND ALL CLAIMS RELATING TO OR ARISING FROM THIS AGREEMENT OR THE FRANCHISE RELATIONSHIP SET FORTH IN THIS AGREEMENT SHALL BE COLLECTIVELY LIMITED TO THE AMOUNT FRANCHISEE PAID TO FRANCHISOR WITHIN THE PRIOR

TWELVE (12) MONTHS IMMEDIATELY BEFORE WRITTEN NOTICE OF ANY PROPER CLAIM IS RECEIVED BY FRANCHISOR.

22.6 Right to Injunctive Relief: Nothing herein contained shall bar Franchisor's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Franchisee's: (i) use of the Proprietary Marks; (ii) obligations upon termination or expiration of this Agreement; (iii) Franchisee's proposed Transfer of the Hair Saloon, this Agreement, or any ownership interest in Franchisee; or (iv) actions covered by the provisions of Section 7 or 14 hereof. Franchisor also shall be able to seek injunctive relief to prohibit any act or omission by Franchisee or its employees that constitutes a violation of any applicable law, is dishonest or misleading to Franchisee's customers or to the public, or which may impair the goodwill associated with the Proprietary Marks, and Franchisor shall have the right to seek to have Franchisee pay all costs and reasonable attorneys' fees incurred by Franchisor in obtaining such relief.

23. ACKNOWLEDGMENTS

23.1 Recognition of Business Risks: Franchisee acknowledges that it has conducted an independent investigation of the proposed franchise and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent businessman or business. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty, guarantee, or representation, express or implied, from an employee or agent of Franchisor as to the potential sales volumes, profit or level of success of the business venture contemplated by this Agreement, or of the suitability of the Approved Location of the Hair Saloon.

23.2 Receipt of Franchise Disclosure Document: Franchisee acknowledges that it received a copy of the Franchise Disclosure Document along with this Agreement at least fourteen (14) days before execution hereof or any payment to Franchisor. If any unilateral modifications have been made to this Agreement, Franchisee acknowledges that it received this Agreement so modified at least seven (7) days before execution hereof or any payment to Franchisor.

23.3 Review of Franchise Disclosure Document: Franchisee acknowledges that it has read and understood this Agreement, the attachment(s) hereto, the documents referred to herein, and agreements relating thereto, if any; that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement; and that Franchisee has not been advised or represented by Franchisor or its affiliates or any of their agents with respect to this Agreement.

23.4 Reliance on Materials Outside the Franchise Disclosure Document: Franchisee acknowledges and agrees that, in making the decision to enter into this Agreement, it has not received nor relied upon any information provided to it by Franchisor or its agents (including, but not limited to, past or projected sales, expenses, profits or income of any other Hair Saloons) that is contrary to or different from the information contained in the Franchise Disclosure Document.

23.5 Atypical Arrangements: Franchisee acknowledges and agrees that Franchisor has in the past, and may in the future, modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations which differ from the terms, conditions, and obligations in this Agreement.

23.6 Representations and Warranties:

23.6.1 Franchisee and its Guarantors represent and warrant that the execution, delivery and performance of this Agreement by Franchisee and the Guarantee by the Guarantors do not and will not violate, conflict with or result in the breach of any term, condition or provision of any contract or agreement, or require the consent of any other person or entity.

23.6.2 Under applicable U.S. law, including without limitation executive order 13224, signed on September 23, 2001 (the "Order"), Franchisee is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in acts of terrorism as defined in the Order. Accordingly, Franchisee does not and hereafter will not engage in any terrorist activity. In addition, Franchisee is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity. Franchisee is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

23.6.3 Franchisee represents to Franchisor that all information set forth in any and all applications, financial statements and submissions to Franchisor are and will be true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information in both awarding and continuing the license granted by this Agreement.

23.7 Agreement Binding Upon Signature by Franchisor: Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

[SIGNATURE PAGE TO FOLLOW]

THIS CONTRACT CONTAINS A BINDING ARBITRATION CLAUSE WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

WITNESS:

HAIR SALOON FRANCHISE COMPANY

By: _____

Name: _____

Title: _____

FRANCHISEE

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

SITE SELECTION AND FRANCHISE TERRITORY ADDENDUM

Hair Saloon Franchise Company (“**Franchisor**”) and _____ (“**Franchisee**”) have this day entered into a Hair Saloon Franchise Company Franchise Agreement (“**Franchise Agreement**”) and desire to supplement its terms as set out below in this Site Selection and Franchise Territory Addendum (“**Addendum**”). The parties hereto agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within one hundred and twenty days (120) days after the effective date of the Franchise Agreement, Franchisee shall acquire or lease, at Franchisee’s expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “**Hair Saloon**”) at a site approved by Franchisor as hereinafter provided. Failure by Franchisee to acquire or lease a site for the Hair Saloon within the time required in Section 1 hereof shall constitute a default under Section 12.2 of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 12.2 of the Franchise Agreement.

2. **Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee’s favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Franchisor shall have fifteen (15) days after receipt of such information and materials from Franchisee to consent to or reject, in its sole discretion, the proposed site as the location for the Hair Saloon. In the event Franchisor does not reject a proposed site by written notice to Franchisee within said fifteen (15) days, such site shall be deemed consented to by Franchisor.

3. **Lease Responsibilities:** Within thirty (30) days of Franchisor’s consent to a site, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor’s consent to any lease is conditioned upon inclusion in the lease of the **Hair Saloon Lease Rider** attached hereto as **Exhibit 1**. However, Franchisor shall not be responsible for review of the lease for any terms other than those contained in the Hair Saloon Lease Rider.

4. **Site Evaluation Services:** Franchisor shall perform any on-site evaluation as Franchisor may deem advisable in response to Franchisee’s requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee’s request) for any Hair Saloon to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

5. **Approved Location:** After Franchisor consents to the location for the Hair Saloon pursuant to Section 1 and 2 hereof and Franchisee leases or acquires the location pursuant to Section 3 hereof, the location shall constitute the **Approved Location** described in Section 1.1 of the Franchise Agreement. The Approved Location shall be specified on a separate piece of paper and be attached hereto as **Exhibit 2** hereto, which shall become a part the Franchise Agreement.

6. **Method of Determining Franchise Territory:** Within sixty (60) days from the completion of Exhibit 2 hereto, Franchisor shall determine the Franchise Territory based upon the population density, commercial traffic, demographics, location of competitive business, and per capita income of the area surrounding the Approved Location. Based upon the Franchisor's analysis of those criteria, the Franchise Territory shall be a radius of between one-half of a mile and two miles around the Approved Location, and it shall be set forth on **Exhibit 3** hereto and become part of the Franchise Agreement.

7. This Site Selection Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Site Selection Addendum on the date first above written.

FRANCHISEE

HAIR SALOON FRANCHISE COMPANY

Date: _____

Date: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT 1

HAIR SALOON FRANCHISE COMPANY

RIDER

TO THAT CERTAIN LEASE

DATED _____, 20____ (THE "FORM LEASE")

BETWEEN _____, A(N) _____

AS LANDLORD

AND

_____, A(N) _____

AS TENANT

FOR THE PREMISES ("PREMISES") KNOWN AS

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

R.2. **Permitted Use.** The Premises are leased to Tenant for the operation of a Hair Saloon franchised salon which provides grooming and hair care services and sells a variety of hair care products, a variety of items bearing the trademark "**Hair Saloon**," and related items customarily sold or offered in a Hair Saloon. The Tenant may also use the Premises for promotions, celebrations and other group functions where Hair Saloon products and services will be served and/or offered for sale.

R.3. **Signage.** Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises.

R.4. **Assignment and Subletting.** Landlord's consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant's assets or business or an assignment or sublet to Hair Saloon Franchise Company (the "**Franchisor**"), any parent, subsidiary or affiliated entity of Tenant or Franchisor, or another Hair Saloon franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement between Franchisor and Tenant as a result of a merger, reorganization or sale of all or substantially all of Tenant's assets. Tenant shall also have the right, without the consent of Landlord, to assign this Lease to a company incorporated or to be incorporated by Tenant, a partnership formed or to be formed by Tenant or a limited liability company organized or to be organized by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding equity securities of such corporation, partnership or limited liability company or is the managing general partner of the partnership.

R.5. **Notices; Opportunity to Cure.** Copies of any demand letters, default notices or other similar notices of non-compliance ("**Notice**") sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Hair Saloon Franchise Company
Attention: President
1846 Craig Park Court
St. Louis, Missouri 63146

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon written notice from Landlord to Franchisor (at the address set forth herein) that Tenant

has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Lease.

R.6. **Option to Lease.** Landlord hereby agrees that, in the event of (a) the termination or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Lease for any cause whatsoever including, without limitation, a default by Tenant under the Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Lease, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Lease, in accordance with the following:

6.1.1 Landlord agrees to promptly give written notice to Franchisor (at the address set forth herein) in the event the Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Lease;

6.1.2 If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination or expiration of the Franchise Agreement; (2) Franchisor's receipt of notice from Landlord that the Lease has been terminated; or (3) receipt of notice from Landlord that Tenant has failed to exercise an option to extend the term of the Lease;

6.1.3 If Franchisor elects to lease the Premises, Franchisor shall execute and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a Hair Saloon barber shop; and

6.1.4 Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Lease.

R.7. **De-Identification.** Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Hair Saloon operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

LANDLORD:

TENANT:

By: _____

By: _____

Its: _____

Its: _____

EXHIBIT 2
APPROVED LOCATION

EXHIBIT 3
FRANCHISE TERRITORY

**GUARANTEE FROM OWNERS
OF AN INTEREST IN FRANCHISEE**

As an inducement to Hair Saloon Franchise Company (“**Franchisor**”) to execute the Franchise Agreement with _____ (“**Franchisee**”) dated _____, _____ (“**Franchise Agreement**”), and in consideration of Franchisor executing the Franchise Agreement and of the sum of One Dollar (\$1.00) now paid by Franchisor to the shareholders, limited partners, members or other persons who own ten percent (10%) or more of the outstanding equity interest in Franchisee and their respective spouses (“**Guarantors**”), the receipt of which is hereby acknowledged, Guarantors jointly and severally agree as follows:

1. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the days and times in the manner therein appointed for payment thereof.

2. Guarantors shall unconditionally guarantee full performance and discharge by Franchisee of all the obligations of Franchisee under the Franchise Agreement at the times and in the manner therein provided, including the obligation to personally comply with and abide by the non-competition provisions, other restrictive covenants and nondisclosure provisions contained in the Franchise Agreement, as well as the provisions in the Franchise Agreement relating to trademarks, assignment and transfer, to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the Guarantors shall survive any expiration or termination of the Franchise Agreement or this Guarantee.

3. Guarantors shall indemnify and save harmless Franchisor and its affiliates against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur, or become liable for by reason of:

3.a. the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Franchise Agreement; or

3.b. any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing pursuant to the provisions of the Franchise Agreement.

4. Franchisor shall not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Guarantors herein set out, and the enforcement of such obligations may take place before, after, or contemporaneously with enforcement of any debt or obligation of Franchisee under the Franchise Agreement.

5. Without affecting the Guarantors’ obligations under this Guarantee, Franchisor, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Franchisee or settle, adjust, or compromise any claims against Franchisee. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

6. Guarantors’ obligations hereunder shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Franchise Agreement against Franchisee; (ii) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise; (iii) the

bankruptcy, insolvency, dissolution, or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee; (iv) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Franchisee, or the winding-up or dissolution of Franchisee, or any other event or occurrence which would have the effect at law of terminating the existence of Franchisee's obligations prior to the termination of the Franchise Agreement; or (v) by any other agreements or other dealings between Franchisor and Franchisee having the effect of amending or altering the Franchise Agreement or Franchisee's obligations hereunder or by any want of notice by Franchisor to Franchisee of any default of Franchisee or by any other matter, thing, act, or omission of Franchisor whatsoever.

7. If the Franchisor, any of its affiliates or any of its franchisees are required to enforce this Guarantee in any judicial proceeding or appeal thereof, the Guarantors shall reimburse the Franchisor, such affiliates and such franchisees for their costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guarantee.

8. The provisions of Section 22 of the Franchise Agreement shall apply as to any interpretation or enforcement of this Guarantee, and the provisions of Section 19 of the Franchise Agreement shall apply to any notice to either party, except that notice to Guarantors shall be as follows:

Notices to Guarantors:

NAME

ADDRESS

THIS CONTRACT CONTAINS A BINDING ARBITRATION CLAUSE WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee From Owners of an Interest in Franchisee as of the date of the Franchise Agreement.

GUARANTORS:

Witness

Witness

Witness

Countersigned:

HAIR SALOON FRANCHISE COMPANY

By: _____

**COVENANTS FROM
OWNERS OF AN INTEREST IN FRANCHISEE**

As an inducement to Hair Saloon Franchise Company (“**Franchisor**”) to execute the Franchise Agreement with _____ (“**Franchisee**”) dated _____, _____ (“**Franchise Agreement**”), and in consideration of Franchisor executing the Franchise Agreement and of the sum of One Dollar (\$1.00) now paid by Franchisor to the shareholders, limited partners or members who own ten percent (10%) or more of the outstanding equity interest in Franchisee (“**Principals**”), the receipt of which is hereby acknowledged, Principals jointly and severally covenant as follows:

1. Any Transfer (as the term “Transfer” is defined in Section 11.2.1 of the Franchise Agreement) of Principal’s interest in Franchisee shall be subject to the same terms and conditions applicable to other Transfers covered by the Franchise Agreement, including, without limitation, Section 11 thereof.
2. Principal is personally bound and shall abide by the restrictions upon Franchisee provided in Sections 7.2 (“Confidentiality”), 14.2 (“In-Term Covenant Not To Compete”) and 14.3 (“Post-Term Covenant Not To Compete”) (collectively, the “**Covenants**”) of the Franchise Agreement.
3. Principal is aware that any violation of the Covenants will cause irreparable harm to Franchisor; therefore, Principal hereby acknowledges and agrees that Franchisor may apply for the issuance of an injunction preventing Principal from violating these Covenants, and Principal agrees to pay to Franchisor all costs it incurs including, without limitation, attorneys’ fees, in enforcing these Covenants. Due to the importance of these Covenants to Franchisor, Principal agrees that any claim Principal may have against Franchisor is a separate matter and does not entitle Principal to violate, or justify any violation of, these Covenants. If any part of these Covenants are held invalid by a court or agency, the rest of the Covenants are still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency.

IN WITNESS WHEREOF, each of the undersigned has signed this Covenants From Owners of an Interest in Franchisee as of the date of the Franchise Agreement.

PRINCIPALS:

_____ Witness	_____
_____ Witness	_____
_____ Witness	_____

Countersigned:

HAIR SALOON FRANCHISE COMPANY

By: _____

EXHIBIT D
MULTI-UNIT DEVELOPMENT AGREEMENT

HAIR SALOON FRANCHISE COMPANY
MULTI- UNIT DEVELOPMENT AGREEMENT

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Exhibits

Exhibit A – Development Territory, Schedule and Fee
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MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (the “**Agreement**”), entered into on _____, 20____ by and between Hair Saloon Franchise Company, a Delaware corporation, (“**Franchisor**”), and _____ (“**Developer**”).

RECITALS:

A. Franchisor, as the result of the expenditure of time, skill, effort and money, has developed a distinctive system relating to the establishment and operation of hair cutting units primarily oriented towards providing services to men and boys (the “**System**”).

B. The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings designed to appeal to men of all ages; uniform standards, specifications, and procedures for operations; quality and uniformity of hair care services provided by licensed cosmetologists and barbers; advertising and promotional programs; copyrighted materials; proprietary hair care products and logoed merchandise for use in the hair cutting units and for sale to customers (the “**Hair Saloon Products**”); and other products from approved suppliers for use in the hair cutting units and for sale to customers (the “**Approved Products**”). Any and all aspects of the System may be changed, improved, and further developed from time to time by the Franchisor.

C. The System, the retail units, and the Hair Saloon Products are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “Hair Saloon”, as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (“**Proprietary Marks**”).

D. Developer has investigated and become familiar with the System and wishes to obtain the right to develop and operate multiple retail Hair Saloon units under the System and using the Proprietary Marks (a “**Hair Saloon**”) within the territory defined in this Agreement, and wishes to obtain franchises from Franchisor for that purpose.

NOW, THEREFORE, Franchisor and Developer, for good and valuable consideration, mutually agree as follows:

1. GRANT

1.1 Franchisor grants to Developer the right, and Developer undertakes the obligation, upon the terms and conditions set forth in this Agreement, to (a) enter into separate signed franchise agreements (the “**Franchise Agreements**”) with Franchisor for a specified number of Hair Saloons as set forth in **Exhibit A** to this Agreement (the “**Development Schedule**”), and (b) use the Proprietary Marks and System solely in connection therewith. Developer (and, as approved by Franchisor, franchisee entities in which Developer owns a controlling interest) shall have the right to operate Hair Saloons to be developed under this Agreement. Failure by Developer to adhere to the Development Schedule shall constitute a default under this Agreement. Each Hair Saloon to be developed hereunder shall be located within in the area described in **Exhibit A** to this Agreement (the “**Development Area**”), at specific locations to be designated in the Franchise Agreements.

1.2 Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor and its affiliates as described in Section 1.3) and within any of the Franchise Agreements, during the term of this Agreement, and so long as Developer is in compliance with its obligations under this

Agreement, Franchisor shall not establish or operate, or license any person to establish or operate, a Hair Saloon under the Proprietary Marks and System at any location within the Development Area.

1.3 Except as specifically granted in this Agreement, Franchisor, on behalf of itself and its current and future affiliates, reserves all other rights, all without compensation to Developer, including but not limited to the right:

1.3.1 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under the Proprietary Marks and the System at any location outside of the Development Area;

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from the Hair Saloon, at any location within or outside the Development Area;

1.3.3 To own, acquire, establish, and/or operate and license others to establish or operate businesses under the Proprietary Marks, including "Hair Saloon" and "Hair Saloon for Men," at limited purpose, limited access, seasonal, or captive audience facilities, including, without limitation, airports, public transportation facilities, military bases, government offices, institutions or facilities, educational institutions, stadiums, sports arenas, hotels, resorts, executive conference centers, regional shopping malls, truck stops, or casinos, at any location within or outside the Development Area. For purposes of this Section, "regional shopping mall" shall be defined as any enclosed shopping facility which contains 100,000 square feet or more of enclosed space; and

1.3.4 To sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, whether to customers of the Hair Saloon, or others, any products which bear any proprietary marks, including Hair Saloon Products and Approved Products, whether within or outside the Development Area, as well as through mail-order catalogs which are distributed within or outside of the Development Area, and by means of computerized or other electronic remote-entry ordering systems (such as, for example, the Internet) capable of accepting orders placed from within or outside the Development Area

1.3.5 To purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Hair Saloon retail unit operating under the Proprietary Marks or any other trademarks, service marks, trade names, logos or commercial symbols following such purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Developer acknowledges may be within the Development Area or close to the Development Area).

1.3.6 To sell Franchisor, its assets, the Proprietary Marks and/or the System to a third party; go public; engage in a private placement of some or all of the Franchisor's securities; merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above transfers, Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Proprietary Marks (or any variation thereof), the System and/or the loss of being identified as a franchisee under this Agreement. If Franchisor assigns its rights in this Agreement, nothing will be deemed to require Franchisor to remain in the hair cutting business or to offer or sell any products or services to Developer.

1.4 This Agreement is not a Franchise Agreement and does not grant to Developer any right to use the Proprietary Marks or the System or to sell or distribute any Hair Saloon Products or Approved Products.

1.5 Developer shall have no right under this Agreement to franchise others to use the Proprietary Marks or the System, or to sell, assign or otherwise transfer any portion of Developer's interest in the Development Area or its development rights under this Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire upon commencement of operations of the final Hair Saloon established pursuant to this Agreement.

3. DEVELOPMENT FEE AND RELATIONSHIP TO INITIAL FRANCHISE FEES

3.1 In consideration of the development rights granted herein, upon execution of this Agreement, Developer shall pay a development fee ("**Development Fee**") equal to the initial franchise fees due for each Hair Saloon business Developer will develop pursuant to the Development Schedule. (For example, if the Development Schedule requires Developer to develop three (3) Hair Saloon businesses, the Development Fee will be \$65,000 in total initial franchise fees payable for such Hair Saloon businesses (\$35,000 + \$20,000 + \$10,000).) Developer acknowledges and agrees that the Development Fee is fully earned and nonrefundable even if Developer does not enter into any additional Franchise Agreements to operate Hair Saloons in the Development Area.

3.2 At the same time it enters into this Agreement, Developer shall enter into the Franchise Agreement (in the form attached hereto as **Exhibit C**) for the development of Developer's first (1st) Hair Saloon business within the Development Area. Prior to developing each subsequent Hair Saloon within the Development Area, Developer must execute Franchisor's then-current form of Franchise Agreement, the terms of which agreement may differ from the terms of this Agreement, or the Franchise Agreement attached hereto as **Exhibit C**; provided, however, for the second (2nd) Hair Saloon business developed pursuant to this Agreement, the initial franchise fee shall be twenty thousand dollars (\$20,000), and for the third (3rd) and each subsequent Hair Saloon developed pursuant to this Agreement, the initial franchise fee shall be ten thousand dollars (\$10,000).

3.3 If Developer is in full compliance with the Development Schedule, and is not otherwise in default under any provision of this Agreement, or any other agreement with Franchisor, then Franchisor will credit towards the initial franchise fee to be paid by Developer for each Hair Saloon to be established pursuant to the Development Schedule the applicable portion of the Development Fee paid for such Hair Saloon, upon execution of the Franchise Agreement for each Hair Saloon to be developed pursuant to the Development Schedule.

4. DEVELOPMENT OBLIGATIONS

4.1 Recognizing that time is of the essence, Developer shall comply strictly with the Development Schedule. Developer acknowledges and agrees that the Development Schedule requires that Developer shall have open and in operation a cumulative number of Hair Saloons within the time periods specified. For the purposes of this Section 4, "Developer" shall mean Developer, or a separate entity formed by the Developer for the purpose operating the Hair Saloons, which is entirely owned by Developer or in which Developer has both majority and control of all voting and beneficial interests.

4.2 Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule with respect both to signing the Franchise Agreements and opening Hair Saloons. Failure by Developer to adhere to the Franchise Agreement requirements and the Hair Saloon opening requirements of the Development Schedule, within the time periods specified in the Development Schedule, shall constitute a default under this Agreement as provided in Section 6.2 of this Agreement.

4.3 For each Hair Saloon required to be developed under the Development Schedule, Developer must complete the pre-opening requirements set forth in the then-current Franchise Agreement.

4.4 Developer shall not be responsible for non-performance or delay in performance occasioned by causes beyond its control including, acts of civil or military authority, failure of civil or military authorities to act, strikes, lockouts, embargoes, insurrections, or Acts of God. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost as determined by Franchisor; provided, however, that Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

5. DUTIES OF THE PARTIES

5.1 Franchisor shall furnish to Developer any on-site evaluation as Franchisor may deem advisable in response to Developer's requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Developer's request) for any Hair Saloon to be established, Developer shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

5.2 Developer shall, at its expense, provide Franchisor with a copy of Developer's financial statements showing the results of operations for each fiscal year during the term of this Agreement. The statements shall include a statement of income and a balance sheet certified by Developer as true and correct and shall be furnished within ninety (90) days after the end of each fiscal year. The fiscal year of the Developer must coincide with the calendar year. Developer shall also submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Developer is not a corporation, limited liability company or partnership, Developer may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Hair Saloons under this Agreement.

5.3 Developer shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

6. DEFAULT AND TERMINATION

6.1 Developer shall be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer; if Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part of this Agreement, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; if a final judgment remains unsatisfied or of record

for thirty (30) days or longer (unless a supersedeas bond is filed); if Developer is dissolved; if execution is levied against Developer's business or property; if suit to foreclose any lien or mortgage against any asset of Developer or of Developer's Hair Saloons is instituted against Developer and not dismissed within thirty (30) days; or if any asset of Developer or of Developer's Hair Saloons shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 Developer shall be in default, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon receipt of notice by Developer, upon the occurrence of any of the following events:

6.2.1 If the franchise agreement for any Hair Saloon operated by Developer (or a person or entity affiliated with Developer) is terminated;

6.2.2 If Developer (or an officer or director of, or a shareholder in, Developer if Developer is a corporation, or a general or limited partner of Developer, if Developer is a partnership, or a member or manager of Developer, if Developer is a limited liability company) is convicted of, pleads no contest to, commits or is alleged to have committed a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on Developer's ability to develop Hair Saloons, the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

6.2.3 If Developer fails to adhere to the Development Schedule as set forth in Section 4.1 and **Exhibit A** hereto;

6.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of any of Developer's Hair Saloons;

6.2.5 If Developer or any partner or shareholder in Developer purports to execute a Transfer of any rights or obligations hereunder or any interest in Developer or the Hair Saloon's assets to any third party without Franchisor's prior written consent, contrary to the terms of Section 7 hereof;

6.2.6 If an approved Transfer is not effected within a reasonable time, as required by Section 7 hereof, following Developer's death or permanent incapacity;

6.2.7 If Developer, after curing a default pursuant to Section 6.3 hereof, commits the same default again in the twelve (12) month period following such cure, whether or not cured after notice;

6.2.8 If Developer knowingly maintains false books or records, or submits any false reports to Franchisor;

6.3 Except as otherwise provided in Sections 6.1 and 6.2, above, if Developer fails to comply with any material term and condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or multi-unit development agreement between Developer (or a person or entity affiliated with or controlled by Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within such thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Hair Saloons) will terminate

without further notice to Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.4 Upon termination or expiration of this Agreement, all rights granted hereunder to Developer shall terminate and Developer shall have no right to establish or operate any Hair Saloon for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Thereafter, Franchisor shall be entitled to establish, and to franchise others to establish, Hair Saloons in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Developer.

6.5 In the event that Developer is in default of its obligations under this Agreement, Franchisor reserves the right to revoke or shrink Developer's territory, exclusivity, or both, without terminating Developer's rights and obligations to develop Hair Saloons, as an alternative to its termination right as described above.

6.6 No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

6.7 No right or remedy herein conferred upon Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

7. TRANSFER OF INTEREST

7.1 Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. In addition, and without limitation to the foregoing or to the rights reserved by Franchisor in Section 1.3, Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire, or be acquired by, another entity; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. In addition to the foregoing, Franchisor shall have the right to delegate any or all of its duties under this Agreement to a designee. Developer shall discharge its duties in all respects with such designee to the extent required by Franchisor, from time to time, in the same manner with which Developer is otherwise required with respect to the Franchisor.

7.2 Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted this Agreement in reliance on the business skill, financial capacity, and personal character of Developer or the owners of Developer. Accordingly, neither Developer nor any immediate or remote successor to any part of Developer's interest in this Agreement, nor any individual, partnership, corporation, limited liability company, or other legal entity which directly or indirectly owns any interest in this Agreement or Developer shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber ("**Transfer**") any rights or obligations hereunder and/or any direct or indirect interest in this Agreement (including any direct or indirect interest in a corporate, limited liability company or partnership Developer, or in the assets of Developer) or in all or substantially all of the assets of Developer's businesses (including any Hair Saloon directly or indirectly owned by Developer, Developer's shareholders, owners, or subsidiaries of Developer) without the prior written consent of Franchisor. Any purported assignment or Transfer, by operation of law or otherwise, without the written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may exercise any contractual remedies, including (but not limited to) termination of this Agreement without opportunity to cure.

7.3 Developer understands and acknowledges that it shall be reasonable for Franchisor to condition its consent to a Transfer on, among other factors, the requirement that the proposed Transfer under this Agreement is to be made in conjunction with a simultaneous transfer of all comparable interests held by the transferor under all the Franchise Agreements executed pursuant to this Agreement.

8. COVENANTS

8.1 Developer acknowledges that the Manuals (as defined in the Franchise Agreement attached hereto as **Exhibit C**) and other confidential information, knowledge, and know-how concerning Franchisor and the System are and shall remain trade secrets of Franchisor. Developer shall not, during the term of this Agreement or thereafter, communicate to, divulge to, or use for the benefit of anyone other than Developer, any confidential information, knowledge, or know-how concerning Franchisor and/or the marketing, management or operations of the Hair Saloons (including, without limitation, the Manuals) which may be communicated to Developer, or of which Developer may be apprised, by virtue of Developer's operation under the terms of this Agreement. Developer shall divulge such confidential information only to such employees as must have access to it in order for Developer to exercise its duties under this Agreement. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates in the Manuals or otherwise in writing as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate came to Developer's attention prior to disclosure thereof by Franchisor or which, at the time of disclosure by Franchisor to Developer, had become or becomes a part of the public domain through publication or communication by others.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise consented to in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, association, partnership, or corporation:

8.2.1 Divert or direct, or attempt to divert or direct, any present or prospective business or customer of any Hair Saloon under the System to any other business, by direct or indirect solicitation, inducement, or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

8.2.2 Own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with, a business which offers the same or similar goods and services as those offered by the Hair Saloon.

8.3 Except to the extent permitted by any other currently effective franchise agreements entered into between Franchisor and Developer, commencing upon the date of: (a) a transfer permitted under Section 7 hereof; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final arbitration or court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 8.3, and continuing for a uninterrupted period of two (2) years thereafter, Developer shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business which offers the same or similar goods and services as those offered by the Hair Saloon and which is located within (a) the Development Area, (b) the development area of another developer, or (c) within two (2) miles of any Hair Saloon owned or operated by Franchisor, its subsidiaries or affiliates, or any other developer or franchisee of Franchisor, its subsidiaries or affiliates. It is understood that the purpose of this covenant is not to deprive Developer of a

means of livelihood and it will not do so, but is rather to protect the goodwill and interest of Franchisor and the System.

8.4 Sections 8.2.2 and 8.3 hereof shall not apply to ownership by Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

8.5 Franchisor shall have the right, in its sole discretion, to reduce the obligation of the Developer under any covenant set forth in Sections 8.2.2 and 8.3 hereof, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof. Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 14 hereof.

8.6 Developer expressly agrees that the existence of any claims that it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in Sections 8.1 through 8.3 of this Agreement. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Franchisor in connection with the enforcement of Sections 8.1 through 8.3 hereof.

8.7 Developer acknowledges that Developer's violation of the terms of Sections 8.1 through 8.3 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly agrees that Franchisor may seek the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of Sections 8.1 through 8.3 hereof.

8.8 At Franchisor's request, Developer shall require and obtain execution of covenants of confidentiality and non-competition similar to those set forth in Sections 8.1 through 8.3 hereof (including covenants applicable upon the termination of a person's relationship with Developer) from (1) any manager and any other personnel employed by Developer who have received or will have received training from Franchisor or any other persons concerning the fulfillment of Developer's duties under this Agreement or any Franchise Agreement; (2) if Developer is a limited liability entity, all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of Developer, and of any corporation directly or indirectly controlling Developer; and (3) if Developer is a partnership, the general partners and any limited partners (including any corporation and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation that controls, directly or indirectly, any general or limited partner). The covenants required by this Section 8.8 shall be in a form specified by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. A failure on the part of Developer to obtain the covenants required by this Section 8.8 shall be deemed a default under Section 6.3 of this Agreement.

9. PERMITS AND COMPLIANCE WITH THE LAWS

9.1 Developer shall comply with all applicable federal, state and local laws, rules and regulations, and shall cause its principals to so comply. Developer shall timely obtain, and keep or require to be kept in force at all times during the term of this Agreement, all permits, certificates and licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

9.2 Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of an order, writ, injunction, award, or decree of any court, agency or other government instrumentality, which may adversely affect the operation or financial condition of Developer and/or any Hair Saloon established under this Agreement.

10. DEVELOPER AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

10.1 Except as otherwise consented to in writing by Franchisor, if Developer is a corporation, it shall: (i) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Hair Saloons under this Agreement; (ii) furnish Franchisor with its articles of incorporation and bylaws as well as such other documents that Franchisor may reasonably request; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Developer and furnish the list to Franchisor upon request; and (vi) not attempt to register under the Securities Act of 1933 or the Securities Exchange Act of 1934 or issue securities exempt from such registration.

10.2 If Developer is a partnership it shall: (i) confine its activities exclusively to operating the Hair Saloons under this Agreement; (ii) furnish Franchisor with its partnership agreement, as well as such other documents as Franchisor may reasonably request and any amendments thereto; and (iii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Developer.

10.3 If Developer is a limited liability company, it shall: (i) confine its activities exclusively to operating the Hair Saloons under this Agreement; (ii) furnish Franchisor with its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Developer; and (iv) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

10.4 If Developer is a corporation or other limited liability business entity, Developer shall deliver to Franchisor contemporaneous with this Agreement a fully executed Guarantee From Owners of an Interest in Developer in the form attached hereto as **Exhibit B** signed by each shareholder, limited partner or member who owns ten percent (10%) or more of the outstanding equity interest in Developer.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 This Agreement does not create a fiduciary relationship between the parties hereto. Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

11.2 Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Developer of Franchisor and shall place such notice of independent ownership in its principal place of business and on all forms, business cards, stationery, advertising, signs, and other materials and in such fashion as Franchisor may specify from time to time in the Manuals or otherwise in writing.

11.3 Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Developer acknowledges that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of any such action, nor shall Franchisor be liable by reason of any act or omission of Developer in its conduct of the Hair Saloon or for any claim or judgment arising therefrom against Developer or Franchisor.

11.4 Developer shall indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its affiliates and their respective directors, officers, employees, shareholders, and agents (collectively “**indemnitees**”) from any and all losses and expenses (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Developer’s exercise of its obligations or rights under this Agreement or any Franchise Agreement entered into pursuant to this Agreement (collectively an “**event**”), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative negligence or contributory negligence attributable to Developer). For the purpose of this Section 11.4, the term “**losses and expenses**” shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor’s reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Developer shall give Franchisor prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of Developer, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek the advice and counsel of Developer. Any such assumption of Franchisor shall not modify Developer’s indemnification obligation. Franchisor may, in its sole judgment, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor’s sole judgment, necessary for the protection of the indemnitees or the System.

12. APPROVALS AND WAIVERS

12.1 Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer by providing any waiver, approval, consent, or suggestion to Developer in connection with this Agreement or by reason of any neglect, delay, or denial of any request therefor.

12.2 No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer, or by any other Developer, of any of the terms, provisions, or covenants of this Agreement or any other Franchisor franchise agreement, and no custom or practice by the parties at variance with the terms hereof, shall constitute a waiver by Franchisor of its rights to enforce any such right, opinion, or power as against Developer or as to a subsequent breach or default by Developer. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Developer of any terms, covenants, or conditions of this Agreement.

13. NOTICES

13.1 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by telecopier, mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Hair Saloon Franchise Company
Attention: President
1846 Craig Park Court
St. Louis, MO 63146

Notices to Developer:

Notices shall be deemed to have been received as follows: by personal delivery or telecopier -- at the time of delivery; by overnight delivery service -- on the next business day following the date on which the Notice was given to the overnight delivery service; and certified mail -- three days after the date of mailing.

14. ENTIRE AGREEMENT

14.1 This Agreement, any attachments hereto, and any ancillary agreements between Developer and Franchisor or any affiliate which are executed contemporaneously with this Agreement constitute the entire and complete Agreement between Franchisor (and, if applicable, any affiliate) and Developer concerning the subject matter thereof and supersede all prior agreements. Developer acknowledges that it is entering into this Agreement and any ancillary agreements executed contemporaneously herewith as a result of its own independent investigation of the business franchised hereby and not as a result of any representations made by Franchisor or persons associated with Franchisor or other Developers which are contrary to the terms herein set forth or which are contrary to the terms of any disclosure document or other similar document required or permitted to be given to Developer pursuant to applicable law; provided that nothing in this or any related agreement is intended to disclaim the representations made in Franchisor's franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunities" (the "**Franchise Disclosure Document**"). Except for those permitted hereunder to be made unilaterally by Franchisor, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. SEVERABILITY AND CONSTRUCTION

15.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Agreement shall be considered severable. If, for any reason, any section, part, term, or provision herein is determined to be invalid and contrary to or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of or have any other effect upon, such other portions, sections, parts, terms, and provisions of this Agreement as may remain otherwise intelligible; the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, or provisions shall be deemed not to be a part of this Agreement. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Developer.

15.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's affiliates, shareholders, directors, officers, and employees, and such of Developer's and

Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

15.3 Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

15.4 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

15.5 Any provision or covenant of this Agreement that by its terms or by reasonable implication are to be performed in whole or in part after the expiration or termination of this Agreement shall survive such expiration or termination.

15.6 In the event of any conflict between the express provisions of this Agreement and any Franchise Agreement for additional Hair Saloons entered into pursuant to this Agreement, the terms and conditions of this Agreement shall control.

15.7 This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all related documents may be executed and delivered by facsimile or other electronic signature method by any of the parties to any other party and each will be deemed original signatures. Electronic copies of this document shall constitute and be deemed an original copy of this document for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this document. The receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

16. APPLICABLE LAW; DISPUTE RESOLUTION

16.1 Any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, except to the extent governed by the United States Trademark Act of 1946, shall be interpreted and construed under the laws of the State of Missouri (without reference to its conflict of laws principles). The Federal Arbitration Act governs all matters relating to arbitration. References to any law or regulation refer to any successor laws or regulations or any published regulations for any statute, as in effect at the relevant time. If, however any provision of this Agreement would not be enforceable under the laws of Missouri, and if the Development Area is located outside of Missouri and the provision would be enforceable under the laws of the State in which the Development Area is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the State where the Development Area is located.

16.2 Except as otherwise provided in this Agreement, any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, except for any actions brought with respect to: (i) ownership or use of the Proprietary Marks; (ii) issues concerning the alleged violations of federal or state antitrust laws; (iii) securing injunctive relief pursuant to Section 16.6 of this Agreement; or (iv) the right to indemnification or the manner in which it is exercised, shall first be subject to non-binding mediation in the city of Franchisor's principal place of business at the time such

claim or controversy arises. Mediation shall not defer or suspend Franchisor's exercise of any termination right under Section 6.

16.2.1 No arbitration or litigation may be commenced on any claim which is subject to mediation under Section 16.2 prior to the mediation termination date, as defined below, whether or not the mediation has been commenced. Mediation under this Section 16.2 is not intended to alter or suspend the rights or obligations of the parties under this Agreement or to determine the validity or effect of any provision of this Agreement, but is intended to furnish the parties an opportunity to resolve disputes amicably, expeditiously and in a cost-effective manner on mutually acceptable terms.

16.2.2 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation giving written notice of the request for mediation to the party with whom mediation is sought. The request shall specify with reasonable particularity the matters for which non-binding mediation is sought.

16.2.3 Non-binding mediation hereunder shall be conducted by a mediator or mediation program designated by Franchisor in writing. Franchisor shall make the designation within a reasonable time after issuance of the request.

16.2.4 Non-binding mediation hereunder shall be concluded within 60 days of the issuance of the request, or such longer period as may be agreed upon by the parties in writing ("**mediation termination date**"). All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. The parties shall bear their own costs of mediation, and shall share equally in the cost of the mediator or mediation service.

16.3 Except for any actions brought with respect to: (i) ownership or use of the Proprietary Marks; (ii) issues concerning the alleged violations of federal or state antitrust laws; (iii) securing injunctive relief or specific performance pursuant to Section 16.6 of this Agreement; or (iv) the right to indemnification or the manner in which it is exercised, any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, shall be finally settled by arbitration pursuant to the then-prevailing Commercial Arbitration Rules of the American Arbitration Association or any successor thereto ("**AAA**"), except to the extent the AAA Commercial Arbitration Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied.

16.3.1 The arbitration shall be conducted by one arbitrator mutually selected by the parties who has at least 5 years of substantial experience in franchise law. All arbitration proceedings shall take place in the office of the AAA that is closest to Franchisor's principal place of business at the time such claim or controversy arises. Each party will be limited to 25 document requests, 15 interrogatories and 2 depositions unless otherwise agreed to between the parties. For purposes of this Section 16.3, in any dispute that names, involves or includes Franchisor, its respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

16.3.2 The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability of this Section

16.3, including but not limited to any claim that all or any part of this Section is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modified or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section 16.3 except to the extent permitted by applicable law. The arbitrator must submit a reasoned award and this award must be consistent with the terms of this Agreement. If the arbitrator's award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, Franchisor may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not Franchisor was a party) will not be binding on Franchisor in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

16.3.3 The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, Developer and Franchisor will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the transfer of this Agreement, or the termination or expiration of the term of this Agreement. Except as provided in Section 16.3.1 above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

16.4 Regardless of the physical location of Developer or any Hair Saloon developed hereunder, it is understood and agreed by Developer that this Agreement is made and entered into in St. Louis County, Missouri, and that to the extent that a judicial action is permitted by the Agreement, any such action brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state court located in St. Louis County, Missouri or in the United States District Court where Franchisor's headquarters are located. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

16.5 Franchisor and Developer irrevocably waive: (a) trial by jury in any action, proceeding, or counterclaim whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding; and (b) any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it. Any and all claims and actions arising out of or relating to the events leading up to the execution of this Agreement, the relationship of Developer and Franchisor, or Developer's exercise of its rights or obligations under this Agreement, brought by any party hereto against the other, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. Any disagreement between Developer (and its guarantors and owners) and Franchisor (and its affiliates and owners) will be considered unique as to its facts and must not be brought as a class action, and Developer (and its guarantors and owners) waive any right to proceeds against Franchisor (and its affiliates and owners, directors, officers, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff, consolidated or collective action. Franchisor's maximum aggregate liability and the maximum aggregate liability of any of its officers, owners, directors, members, managers, employees, affiliates, parents or subsidiaries related to any and all claims relating to or arising from this Agreement or the franchise relationship set forth in this Agreement shall be collectively limited to the amount Developer paid to Franchisor within the prior twelve (12) months immediately before written notice of any proper claim is received by Franchisor

16.6 Nothing herein contained shall bar Franchisor's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Developer's: (i) use of the Proprietary Marks; (ii) obligations upon termination or expiration of the agreement; (iii) Developer's proposed Transfer of the Hair Saloon, this Agreement, or any ownership interest in Developer; or (iv) actions covered by the provisions of Section 8 hereof. Franchisor also shall be able to seek injunctive relief to prohibit any act or omission by Developer or its employees that constitutes a violation of any applicable law, is dishonest or misleading to Developer's customers or to the public, or which may impair the goodwill associated with the Proprietary Marks, and Franchisor shall have the right to seek to have Developer pay all costs and reasonable attorneys' fees incurred by Franchisor in obtaining such relief.

17. ACKNOWLEDGMENTS

17.1 Developer acknowledges that it has conducted an independent investigation of the proposed franchise and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Developer as an independent businessman or business. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty, guarantee, or representation, express or implied, from an employee or agent of Franchisor as to the potential sales volumes, profit or level of success of the business venture contemplated by this Agreement.

17.2 Developer acknowledges that it received a copy of the Franchise Disclosure Document along with this Agreement and the Franchise Agreement for the first Hair Saloon business to be developed hereunder at least fourteen (14) days before execution hereof or any payment to Franchisor. If any unilateral modifications have been made to this Agreement, Developer acknowledges that it received this Agreement so modified at least seven (7) days before execution hereof or any payment to Franchisor.

17.3 Developer acknowledges that it has read and understood this Agreement, the attachment(s) hereto, the documents referred to herein, and agreements relating thereto, if any; that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement; and that Developer has not been advised or represented by Franchisor or its affiliates or any of their agents with respect to this Agreement.

17.4 Developer acknowledges and agrees that, in making the decision to enter into this Agreement, it has not relied upon any information provided to it by Franchisor or its agents (including, but not limited to, past or projected sales, expenses, profits or income of any other Hair Saloons) that is contrary to or different from the information contained in the Franchise Disclosure Document.

17.5 Developer acknowledges and agrees that Franchisor has in the past, and may in the future, modify the offer of development territories to other Developers in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations which differ from the terms, conditions, and obligations in this Agreement.

17.6 Developer acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

17.7 Under applicable U.S. Law, including without limitation, Executive Order 1224, Signed on September 23, 2001 (the "**Order**"), Franchisor is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, Developer acknowledges, represents and agrees that it does not, and hereafter will not, engage in any terrorist activity. In addition, Developer acknowledges and represents to Franchisor that it is not

affiliated with and does not support any individual or entity engaged in, contemplating or supporting terrorist activity. Finally, Developer acknowledges, represents and agrees that it is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating or supporting terrorist activity, or to otherwise support or further any terrorist activity.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

WITNESS:

HAIR SALOON FRANCHISE COMPANY

By: _____

Name: _____

Title: _____

DEVELOPER

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Development Territory, Schedule and Fee

1. The Development Area shall consist of the following area(s) (Section 1.1):

2. Developer shall have open and in operation _____ (____) Hair Saloons, within the Development Area in accordance with the following Development Schedule (Section 1.1):

Cumulative Number of Hair Saloons
Open and in Operation Within
the Development Area

By this Date

3. The Development Fee is \$ _____ (Section 3.1).

Initial: _____

Date: _____

Initial: _____

Date: _____

Developer

HAIR SALOON FRANCHISE COMPANY

**GUARANTEE FROM OWNERS
OF AN INTEREST IN DEVELOPER**

As an inducement to Hair Saloon Franchise Company (“**Franchisor**”) to execute the Multi-Unit Development Agreement with _____ (“**Developer**”) dated _____, _____ (“**Multi-Unit Development Agreement**”), and in consideration of Franchisor executing the Multi-Unit Development Agreement and of the sum of One Dollar (\$1.00) now paid by Franchisor to shareholders, limited partners or members who own ten percent (10%) or more of the outstanding equity interest in Developer (“**Guarantors**”), the receipt of which is hereby acknowledged, Guarantors jointly and severally agree as follows:

1 Guarantors shall pay or cause to be paid to Franchisor all monies payable by Developer under the Multi-Unit Development Agreement on the days and times in the manner therein appointed for payment thereof.

2 Guarantors shall unconditionally guarantee full performance and discharge by Developer of all the obligations of Developer under the Multi-Unit Development Agreement at the times and in the manner therein provided.

3 Guarantors shall indemnify and save harmless Franchisor and its affiliates against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur, or become liable for by reason of:

3.a. the failure for any reason whatsoever of Developer to pay the monies payable pursuant to the Multi-Unit Development Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Multi-Unit Development Agreement; or

3.b. any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Developer of any other act, matter or thing pursuant to the provisions of the Multi-Unit Development Agreement.

4 Franchisor shall not be obligated to proceed against Developer or exhaust any security from Developer or pursue or exhaust any remedy, including any legal or equitable relief against Developer, before proceeding to enforce the obligations of the Guarantors herein set out, and the enforcement of such obligations may take place before, after, or contemporaneously with enforcement of any debt or obligation of Developer under the Multi-Unit Development Agreement.

5 Without affecting the Guarantors’ obligations under this Guarantee, Franchisor, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Developer or settle, adjust, or compromise any claims against Developer. Guarantors waive notice of amendment of the Multi-Unit Development Agreement and notice of demand for payment or performance by Developer.

6 Guarantors’ obligations hereunder shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Multi-Unit Development Agreement against Developer; (ii) the termination of any obligations of Developer under the Multi-Unit Development Agreement by operation of law or otherwise; (iii) the bankruptcy, insolvency, dissolution, or other liquidation of Developer, including,

without limitation, any surrender or disclaimer of the Multi-Unit Development Agreement by the trustee in bankruptcy of Developer; (iv) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Developer, or the winding-up or dissolution of Developer, or any other event or occurrence which would have the effect at law of terminating the existence of Developer's obligations prior to the termination of the Multi-Unit Development Agreement; or (v) by any other agreements or other dealings between Franchisor and Developer having the effect of amending or altering the Multi-Unit Development Agreement or Developer's obligations hereunder or by any want of notice by Franchisor to Developer of any default of Developer or by any other matter, thing, act, or omission of Franchisor whatsoever.

7 The provisions of Section 16 of the Multi-Unit Development Agreement shall apply as to any interpretation or enforcement of this Guarantee, and the provisions of Section 13 of the Multi-Unit Development Agreement shall apply to any notice to either party, except that notice to Guarantors shall be as follows:

Notices to Guarantors:

Name

Address

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee From Owners of an Interest in Developer as of the date of the Multi-Unit Development Agreement.

GUARANTORS:

Witness

Witness

Witness

Countersigned:

HAIR SALOON FRANCHISE COMPANY

By: _____

EXHIBIT C

Franchise Agreement (for the first Hair Saloon to be developed under this Agreement)

EXHIBIT E
OPERATIONS MANUAL TABLE OF CONTENTS

Title of Manual	Number of Pages
Pre-Opening	46
Business Fundamentals	68
Personnel	80
Employee Handbook (Sample)	41
Operations	204
Marketing	106
Software POS Systems	203
Material Safety Data Sheets	141
TOTAL	889

EXHIBIT F
LIST OF FRANCHISEE'S AND FRANCHISED AND AFFILIATE-OWNED SALOONS

Franchised Saloons

Illinois

Humble Five LLC
Attn: Christopher Lembke
6655 F Edwardsville Crossing
Edwardsville, Illinois 62025
Phone: (618) 656-5969

Humble Five LLC
Attn: Christopher Lembke
Winchester Plaza
4610 North Illinois (Rt. 159)
Fairview Heights, Illinois 62208
Phone: (618) 233-4300

Missouri

J.T. Chase Enterprises, L.L.C.
Attn: Mark Hallemann
108 Chesterfield Commons E. Road
Chesterfield, Missouri 63005
Phone: (636) 536-7707

H.S.S.L., LLC
6153 Mid Rivers Mall Drive
St. Peters, Missouri 63304
Phone: (636) 936-2300

J.T. Chase Enterprises, L.L.C.
Attn: Mark Hallemann
11465 Olive Boulevard
Creve Coeur, Missouri 63141
Phone: (314) 872-3700

J.T. Chase Enterprises, L.L.C.
Attn: Mark Hallemann
128 W. Lockwood Avenue
Webster Groves, Missouri 63119
Phone: (314) 918-9900

J.T. Chase Enterprises, L.L.C.
Attn: Mark Hallemann
12794 Olive Boulevard
Creve Coeur, Missouri 63141
Phone: (314) 576-0414

J.T. Chase Enterprises, L.L.C.
Attn: Mark Hallemann
105 Plaza Drive
Wildwood, Missouri 63040
Phone: (636) 458-0000

H.S.S.L., LLC
2961 Highway K
O'Fallon, Missouri 63366
Phone: (636) 978-4445

MECK04-RH, LLC
Attn: Mike Swearngin
6674 Clayton Road
Richmond Heights, Missouri 63117
Phone: (314) 644-1111

Diggie, LLC
Attn: Brian Yost
13619 Big Bend Road
St. Louis, Missouri 63122
Phone: (636) 529-8288

Franchisees which Left the System

(The list of franchisees which have been terminated, transferred, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recent fiscal year or who have not communicated with us within 10 weeks of this disclosure document.) If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Austin Bailey Ltd.
Attn: Tom Ruesch
Edwardsville, Illinois 62025
Phone: 314-359-0598

Austin Bailey Ltd.
Attn: Tom Ruesch
Fairview Heights, Illinois 62208
Phone: 314-359-0598

Affiliate-Owned Saloons¹

473 Lafayette Center
Manchester, MO 63011
Phone: (636) 207-1442

343 South Kirkwood
Kirkwood, MO 63122
Phone: (314) 821-4363

1368 Dierberg's Center
Clarkson & Clayton Road
Ellisville, MO 63011
Phone: (636) 394-5848

Kennerly Center
9960 C Kennerly Road
St. Louis, MO 63128
Phone: (314) 842-8008

Note: ¹ These units are owned and operated by HSI, LLC.

EXHIBIT G
HAIR SALOON FRANCHISE COMPANY
FRANCHISEE COMPLIANCE CERTIFICATION

As you know, Hair Saloon Franchise Company (“Franchisor”) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. I had my first face-to-face meeting with a representative of Franchisor on _____, _____.

2. Have you received and personally reviewed the Franchise Agreement and each addendum and related agreement attached to it?

Yes ____ No ____

3. Do you understand all of the information contained in the Franchise Agreement, each addendum and related agreement provided to you?

Yes ____ No ____

If “No,” what parts of the Franchise Agreement, addendum, and related agreement do you not understand? (Attach additional pages, if necessary.)

4. Have you received and personally reviewed the Franchisor’s Franchise Disclosure Document (“Disclosure Document”) that was provided to you?

Yes ____ No ____

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes ____ No ____

6. Do you understand all of the information contained in the Disclosure Document and any state-specific addendum to the Disclosure Document?

Yes ____ No ____

If "No," what parts of the Disclosure Document and addendum do you not understand?
(Attach additional pages, if necessary.)

7. Have you discussed the benefits and risks of establishing and operating a franchised business with an attorney, accountant, or other professional advisor?

Yes ____ No ____

If "No," do you wish to have more time to do so?

Yes ____ No ____

8. Do you understand that the success or failure of your franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes ____ No ____

9. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a franchised business operated by the Franchisor or its franchisees, that is contrary to the information contained in the Disclosure Document?

Yes ____ No ____

10. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business, that is contrary to the information contained in the Disclosure Document?

Yes ____ No ____

11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the franchised business will generate, that is contrary to the information contained in the Disclosure Document?

Yes ____ No ____

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the franchised business that is contrary to or different from, the information contained in the Disclosure Document?

Yes ____ No ____

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a franchised business?

Yes ____ No ____

14. Has any employee or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No ____

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes ____ No ____

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes ____ No ____

17. If you have answered “Yes” to any one of questions 9-16, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of questions 9-16, please leave the following lines blank.

18. You understand that this franchise business may be impacted by other risks, including those outside your or our control such as economic, political or social disruption, including pandemics. In addition, you understand that the aforementioned risks and any preventative or protective actions that federal, state, and local governments may take in response may result in a period of business disruption, reduced customer demand, and reduced operations for your Franchised Business. The extent to which an event impacts the Hair Saloon system will depend on precise occurrences which are highly uncertain and which we cannot predict.

Yes ____ No ____

I signed the Franchise Agreement and addenda (if any) on _____, _____, and acknowledge that no agreement or addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

_____, 20____

EXHIBIT H
FINANCIAL STATEMENTS AND GUARANTEE OF PERFORMANCE

**HAIR SALOON HOLDINGS, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024, AND 2023

HAIR SALOON HOLDINGS, INC. AND SUBSIDIARIES

DECEMBER 31, 2025, 2024, AND 2023

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Balance Sheets	3
Statements of Income (Loss) and Retained Earnings	4
Statements of Changes in Stockholder's Equity	5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7



Kiefer | Bonfanti & Co. LLP
Certified Public Accountants & Business Advisors

701 Emerson Road, Suite 201
St. Louis, MO 63141
314.812.1100
kiefersonfanti.com



INDEPENDENT AUDITORS' REPORT

To the Stockholder of
Hair Saloon Holdings, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of **Hair Saloon Holdings, Inc. and Subsidiaries** (the Company) which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income (loss), retained earnings, changes in stockholder's equity, and cash flows for each of the years ended December 31, 2025, 2024, and 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Hair Saloon Holdings, Inc. and Subsidiaries** as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years ended December 31, 2025, 2024, and 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
March 12, 2026

HAIR SALOON HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Assets	
	December 31,	
	2025	2024
Current Assets		
Cash and cash equivalents	\$ 116,616	\$ 402,153
Accounts receivable	115,854	94,530
Due from affiliate	313,908	32,345
Inventory	66,711	81,652
Total Current Assets	613,089	610,680
Property and Equipment, Net	-	163
Other Assets		
Deferred contract costs	-	750
Security deposits	3,933	3,933
Right-of-use asset - operating	173,379	199,080
Total Other Assets	177,312	203,763
Total Assets	\$ 790,401	\$ 814,606
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	\$ 9,856	\$ 27,270
Deferred revenue, current	2,500	4,500
Lease liability - operating, current	40,644	32,151
Total Current Liabilities	53,000	63,921
Long-Term Liabilities		
Deferred revenue, long-term	1,458	3,958
Lease liability - operating	132,735	166,929
Total Long-Term Liabilities	134,193	170,887
Total Liabilities	187,193	234,808
Stockholder's Equity		
Common stock, \$.01 par value, authorized 500,000 shares; 58,481 shares issued and outstanding	585	585
Additional paid-in capital	179,179	179,179
Retained earnings	431,234	407,824
Stockholder's equity before treasury stock	610,998	587,588
Less treasury stock, at cost	(7,790)	(7,790)
Total Stockholder's Equity	603,208	579,798
Total Liabilities and Stockholder's Equity	\$ 790,401	\$ 814,606

HAIR SALOON HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME (LOSS)
AND RETAINED EARNINGS**

	Years Ended December 31,		
	2025	2024	2023
Product sales	\$ 112,834	130,843	\$ 116,443
Cost of product sales	69,690	78,004	78,948
Gross Profit on Product Sales	43,144	52,839	37,495
Franchise fee revenue	25,500	36,292	13,500
Royalty revenue	438,841	402,521	417,902
Total Gross Profit and Revenues	507,485	491,652	468,897
Selling, general, and administrative expense	484,878	635,509	381,277
Income (Loss) from Operations	22,607	(143,857)	87,620
Other Income			
Interest income	803	5,004	4,977
Training fees	-	1,000	-
Other Income	803	6,004	4,977
Net Income (Loss)	\$ 23,410	(137,853)	\$ 92,597

Consolidated Statements of Retained Earnings

Retained Earnings, Beginning of Year	\$ 407,824	545,677	\$ 453,080
Net income (loss)	23,410	(137,853)	92,597
Retained Earnings, End of Year	\$ 431,234	407,824	\$ 545,677

HAIR SALOON HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	Common Stock		Additional	Retained	Stockholder's	Treasury	Total
	Shares	Amount	Paid-In	Earnings	Equity Before	Stock	Stockholder's
			Capital	(Deficit)	Treasury Stock		Equity
Balance December 31, 2022	58,481	\$ 585	179,179	453,080	632,844	(7,790)	\$ 625,054
Net income	-	-	-	92,597	92,597	-	92,597
Balance December 31, 2023	58,481	585	179,179	545,677	725,441	(7,790)	717,651
Net loss	-	-	-	(137,853)	(137,853)	-	(137,853)
Balance December 31, 2024	58,481	585	179,179	407,824	587,588	(7,790)	579,798
Net income	-	-	-	23,410	23,410	-	23,410
Balance December 31, 2025	58,481	\$ 585	179,179	431,234	610,998	(7,790)	\$ 603,208

HAIR SALOON HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2025	2024	2023
Cash Flows From Operating Activities			
Net income (loss)	\$ 23,410	(137,853)	\$ 92,597
Adjustments			
Depreciation	163	1,042	1,852
(Increase) decrease in assets:			
Deferred contract costs	750	12,675	3,450
Inventory	14,941	(9,537)	(4,362)
Due from related party	(281,563)	(32,345)	-
Accounts receivable	(21,324)	(30,705)	(9,794)
Right-of-use asset - operating	25,701	(156,154)	31,870
Increase (decrease) in liabilities:			
Lease liability - operating	(25,701)	156,154	(31,870)
Accounts payable	(17,414)	2,101	10,918
Deferred revenue	(4,500)	(28,792)	(10,000)
Net Cash Provided (Used) by Operating Activities	(285,537)	(223,414)	84,661
Net Increase (Decrease) in Cash and Cash Equivalents	(285,537)	(223,414)	84,661
Cash and cash equivalents, beginning of year	402,153	625,567	540,906
Cash and Cash Equivalents, End of Year	\$ 116,616	402,153	\$ 625,567

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025, 2024, AND 2023

BUSINESS DESCRIPTION

Hair Saloon Holdings, Inc. and Subsidiaries (the Company) is engaged in the hair care industry. Hair Saloon Products Company, a wholly owned subsidiary, is engaged in the sale of hair care products. Hair Saloon Franchise Company, a wholly owned subsidiary, sells hair care franchises.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Company uses the accrual method of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of Hair Saloon Holdings, Inc., and its subsidiaries. All inter-company transactions have been eliminated in consolidation.

Estimates

The management of the Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable arise from royalties and product sales. The Company grants unsecured credit to those franchisees and believes the risk associated with carrying the receivables is mitigated by the nature of its franchisees. Payments are due 30 days from the invoice date. The Company does not charge interest on any accounts receivable.

The Company provides an allowance for doubtful accounts equal to estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables. The Company considers any accounts receivable older than 90 days to be past due. Accounts receivable older than 90 days at December 31, 2025 and 2024 were \$74,478 and \$46,610, respectively. The amounts older than 90 days included \$74,478 and \$40,891 due from related parties at December 31, 2025 and 2024, respectively. The Company charges off accounts receivable when all collection efforts are deemed unsuccessful, and management believes that there is no chance of collection. As of December 31, 2025 and 2024, management considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. During 2024 a franchisee closed operations causing the company to realize a bad debt expense of \$19,903. There was no bad debt expense for the years ended December 31, 2025 and 2023.

Inventory

Inventory, which consists primarily of grooming products, is stated at the lower of cost or market under the first-in, first-out method of pricing.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Property and Equipment***

Property and equipment are stated at cost, less allowances for depreciation. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives for financial reporting are summarized as follows:

Assets	Years
Office equipment	5-7
Warehouse	7
Leasehold improvements	5-15

Expenditures for maintenance and repairs are expensed as incurred. Renewals and betterments that substantially extend the lives of assets are capitalized.

Leases

The Company leases office space. The Company assesses whether an arrangement qualifies as a lease (conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms or conditions of the arrangement are modified. The Company recognizes a liability representing the future lease payments and a right-of-use (ROU) asset representing its right to use the underlying asset for the lease term. The Company has elected to treat leases with a lease term of 12 months or less as short-term leases and are not recorded on the statement of financial position. Lease expense is recognized over the lease term for short term leases, and variable lease expenses are recognized in the period in which they are incurred.

Revenue Recognition

The Company recognizes revenue only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred, or services have been rendered;
- The fee for the arrangement is fixed; and
- Collectability is reasonably assured.

Persuasive Evidence of an Arrangement – The Company documents all terms of an arrangement in a signed contract or on an invoice.

Delivery Has Occurred or Services Have Been Performed – The Company performs all services or delivers all products prior to recognizing revenue.

The Fee for the Arrangement Is Fixed – Prior to recognizing revenue, a customer's fee is fixed under the terms of the contract or invoice. The fees are fixed with only freight charges being variable.

Collectability Is Reasonably Assured – The Company determines that collectability is reasonably assured prior to recognizing revenue. Collectability is assessed on a customer-by-customer basis based on criteria outlined by management. Customers are subject to a credit review process. The Company does not enter into an arrangement unless collectability is reasonably assured at the outset. Existing customers are subject to ongoing credit evaluations based on payment history and other factors.

Accounts Receivable, Contract Asset, and Contract Liability

Unbilled receivables are contract assets for unbilled amounts typically resulting from sales under service contracts when revenue recognized exceeds the amount billed to the customer. There were no unbilled receivables at January 1, 2025 and 2024.

Notes to Consolidated Financial Statements (continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Revenue Recognition (continued)******Accounts Receivable, Contract Asset, and Contract Liability (continued)***

Deferred revenues are contract liabilities for billings in excess of revenue recognized. The Company had \$8,458 and \$37,250 of deferred revenue at January 1, 2025 and 2024, respectively. The Company's accounts receivable was \$94,530 and \$63,825 at January 1, 2025 and 2024, respectively.

Pre-Opening, Franchise, and Development Fees

The Company recognizes pre-opening fees at the time the services are provided. The Company recognizes franchise and development fee revenues over the franchise term, which is generally 10 years. The contract liability is presented on the Consolidated Balance Sheet as "Deferred revenue" and represents unearned franchise and development fee revenues.

Costs Incurred to Fulfill a Contract with a Customer and Related Assets Recognized

The Company uses third-party providers to locate potential franchisees. The Company pays commission to these third parties upon the franchisee signing the contract. The incremental costs of obtaining the contract are amortized over the franchise term of 10 years. The contract asset is presented on the Consolidated Balance Sheet as "Deferred contract costs" and represents unamortized incremental costs.

Royalty Income

Royalty revenue from stores operated by franchisees is based on a percentage of sales and recognized at the time the underlying sales occur.

Shipping Fees Charged to Customers and Reported as Revenue

Shipping fees billed to customers are included in "Product sales" on the Consolidated Statement of Income (Loss) and were \$4,235, \$4,370, and \$4,737 for the years ended December 31, 2025, 2024, and 2023, respectively. The associated shipping costs are included in "Cost of product sales" and were \$4,393, \$4,533, and \$5,080 for the years ended December 31, 2025, 2024, and 2023, respectively.

Advertising

The Company expenses advertising costs as incurred. Total advertising expense was \$2,838, \$3,727, and \$1,924 for the years ended December 31, 2025, 2024, and 2023, respectively.

Income Taxes

The Company, with the consent of its stockholder, is being taxed as an S corporation. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Financial accounting standards for uncertain tax positions prohibit financial statement recognition of the impact of a tax position if the position is not "more likely than not" to be sustained on audit, based on the technical merits of the position. The Federal income tax return and various state income tax returns of the Company are subject to examination by the Internal Revenue Service and state and local jurisdictions, generally for three years after they have been filed. As of March 12, 2026, no returns have been selected for examination.

Subsequent Events

The Company has evaluated subsequent events through March 12, 2026, the date which the financial statements were available to be issued, for possible additional recognition or disclosure.

HAIR SALOON HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

NOTE 2 PROPERTY AND EQUIPMENT

	December 31,	
	2025	2024
Office equipment	\$ 66,186	\$ 66,186
Warehouse	4,876	4,876
Leasehold improvements	1,864	1,864
Property and equipment, at cost	72,926	72,926
Less accumulated depreciation	(72,926)	(72,763)
Property and Equipment, Net	\$ -	\$ 163

Depreciation expense for the years ended December 31, 2025, 2024, and 2023, was \$163, \$1,042, and \$1,852, respectively.

NOTE 3 OPERATING LEASE

The Company leases office space under an operating lease that expired on March 31, 2025. On January 1, 2025, the lease was extended through May 31, 2030. The lease calls for monthly base lease payments of \$3,328 plus the Company's proportionate share of taxes and operating costs for the year ended December 31, 2025. Monthly base lease payments increase each year on May 31st.

The Company recognized on December 31, 2024, a lease liability of \$199,080, which represents the present value of the remaining lease payments of \$220,890, discounted using the Company's incremental borrowing rate of 3.75%, and a right-of-use asset of \$199,080.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as follows:

Years Ending December 31,	
2026	\$ 40,644
2027	41,855
2028	43,093
2029	44,408
2030	18,739
Total future minimum lease payments	188,739
Less: present value discount	(15,360)
Total Lease Liabilities	\$ 173,379

The Company provides a portion of its leased office space to an affiliated company with common ownership. There were no reimbursements from the affiliated company for their proportionate share of the lease for the years ended December 31, 2025, 2024, and 2023.

Total lease expense amounted to \$32,151, \$35,158, and \$34,134 for each of the years ended December 31, 2025, 2024, and 2023. Additional rent expense related to the Company's share of taxes and operating costs were \$22,192, \$24,454, and \$16,064 for the years ended December 31, 2025, 2024, and 2023, respectively.

Notes to Consolidated Financial Statements (continued)**NOTE 4 RELATED PARTY TRANSACTIONS**

Royalty revenues earned from franchises opened by a franchisee that has common ownership with the Company amounted to \$69,345, \$72,746, and \$86,384 for the years ended December 31, 2025, 2024, and 2023, respectively. Product sales to related franchises and an affiliated company amounted to \$110,608, \$45,697, and \$49,364 for the years ended December 31, 2025, 2024, and 2023, respectively. Accounts receivable from all related parties amounted to \$94,194 and \$66,067 at December 31, 2025 and 2024, respectively.

Due from affiliate at December 31, 2025 and 2024, was \$313,908 and \$32,345, respectively. The due from affiliate represents amounts advanced to an affiliated company with common ownership. This amount is payable upon demand and bears no interest.

NOTE 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

For the years ended December 31, 2025, 2024, and 2023, revenue recognized for goods transferred at a point in time totaled \$551,675, \$533,364, and \$534,345, respectively. For the years ended December 31, 2025, 2024, and 2023, revenue recognized for franchise fees satisfied over time totaled \$25,500, \$36,292, and \$13,500, respectively.

The Company participates in a highly volatile industry that is characterized by rapid technological change and intense competitive pressure. The Company's revenues, results of operations and cash flows are affected by a wide variety of factors, including general economic conditions, the geographical regions of its franchisees, and the type of products sold. The majority of franchisees are located in Missouri and Illinois. Refer to Note 7 for customer concentrations.

NOTE 6 FRANCHISOR DUTIES

Under the franchise agreements with franchisees, the Company has the obligation to provide prototype plans and specifications, site selection assistance, training, grand opening assistance, operational suggestions and product supply sources.

The Company is also required to establish, maintain, and administer a Brand Fund, which is funded by all operating stores contributing 2% of store gross revenue. For the years ended December 31, 2025, 2024, and 2023, \$184,476, \$168,242, and \$177,863, respectively, were collected and used for promotion and advertising.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

The Company had five franchisees at December 31, 2025 and 2024, and six franchisees as of December 31, 2023. All of the Company's revenue (including product sales and royalty revenue) for the years ended December 31, 2025, 2024, and 2023, were generated by these franchisees and an affiliated company.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

GUARANTEE OF PERFORMANCE

For value received, Hair Saloon Holdings, Inc., a Delaware corporation (the “Guarantor”), located at 1846 Craig Park Court, St. Louis, Missouri 63146, absolutely and unconditionally guarantees to assume the duties and obligations of Hair Saloon Franchise Company (the “Franchisor”), located at 1846 Craig Park Court, St. Louis, Missouri 63146 under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at St. Louis, Missouri on the 28 day of April, 2026.

Guarantor:

HAIR SALOON HOLDINGS, INC.

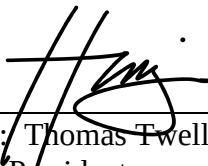
By: 
Name: Thomas Twellman
Title: President

EXHIBIT I

STATE SPECIFIC ADDENDA

STATE LAW ADDENDUM - ILLINOIS

Notwithstanding anything contained in the foregoing Franchise Agreement, Multi-Unit Development Agreement ("MUD") and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the Illinois Franchise Disclosure Act ("Act") shall apply to any franchise located in the State of Illinois, which shall control to the extent of any inconsistency:

Illinois law governs the Franchise Agreement and the MUD.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement or MUD that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement or MUD may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The parties have signed this Addendum as of the _____ day of _____.

FRANCHISOR:

FRANCHISEE:

HAIR SALOON FRANCHISE COMPANY

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

State Effective Dates

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

State	Effective Date
Illinois	Pending
Indiana	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J

RECEIPT

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, we must provide this disclosure document to you at the earlier of your 1st personal meeting to discuss the franchise or 14 days before you signing a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, we must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, we must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Hair Saloon Franchise Company does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise:

Date of Issuance: April 28, 2026

I have received a disclosure document dated April 28, 2026, that included the following Exhibits:

- | | |
|--|---|
| A. List of Administrators | F. List of Franchisees and Franchised and Affiliate-Owned Saloons |
| B. Agents for Service of Process | G. Franchisee Compliance Certification |
| C. Franchise Agreement | H. Financial Statements and Guarantee of Performance |
| D. Multi-Unit Development Agreement | I. State Specific Addenda |
| E. Operations Manual Table of Contents | J. Receipt |

Date of receipt: _____

Signature

Print Name

Company Name

Street Address

Telephone Number

City, State

Zip Code

TO BE RETAINED BY YOU

RECEIPT

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, we must provide this disclosure document to you at the earlier of your 1st personal meeting to discuss the franchise or 14 days before you signing a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, we must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, we must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit A.

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| E. Operations Manual Table of Contents | J. Receipt |

Date of receipt: _____

Signature

Print Name

Company Name

Street Address

Telephone Number

City, State Zip Code

Please sign this copy of the receipt, date your signature, and return it to: Hair Saloon Franchise Company, 1846 Craig Park Court, St. Louis, Missouri 63146