

FRANCHISE DISCLOSURE DOCUMENT



Sharkey's Cuts for Kids International Co., LLC
A Connecticut limited liability company
37 Highland Road
Westport, Connecticut 06880
(203) 637-8911
www.sharkeyscutsforkids.com
info@sharkeyscutsforkids.com

The Franchise offered is for a hair salon furnished and designed to attract children and families using the names "Sharkey's Cuts for Kids".

The total investment necessary to begin operation of a Single Sharkey's Cuts for Kids (A-Package) franchise is \$188,665 to \$299,360. This includes \$159,990 that must be paid to the franchisor and/or its affiliate. The total investment necessary to begin operation of a Single Sharkey's Cuts for Kids (B-Package) franchise is \$188,665 to \$275,740. This includes \$159,990 that must be paid to the franchisor and/or its affiliate.

If you choose to purchase more than one unit, you must sign a Multi-Unit Addendum. There are two separate options under the Multi-Unit Addendum.

The total investment necessary to begin operation of a 2-Pack of Sharkey's Cuts for Kids (A-Package) franchises is \$304,340 to \$525,730. This includes \$254,990 that must be paid to the franchisor and/or its affiliate. The total investment necessary to begin operation of a 2-Pack of Sharkey's Cuts for Kids (B-Package) franchises is \$304,340 to \$478,490. This includes \$254,990 that must be paid to the franchisor and/or its affiliate.

The total investment necessary to begin operation of a 3-Pack of Sharkey's Cuts for Kids (A-Package) franchises is \$441,015 to \$773,100. This includes \$362,490 that must be paid to the franchisor and/or its affiliate. The total investment necessary to begin operation of a 3-Pack of Sharkey's Cuts for Kids (B-Package) franchises is \$441,015 to \$702,240. This includes \$362,490 that must be paid to the franchisor and/or its affiliate.

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 the 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 government 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 Scott Sharkey at 37 Highland Road, Westport, Connecticut 06880 and (203) 637-8911.

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

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

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

Issuance Date: April 28, 2023

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 D and Exhibit E. |
| 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 B 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 Sharkey's Cuts for Kids business in my area? | Item 12 and the "territory" provisions in the franchise agreement and multi-unit operator 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 Sharkey's Cuts for Kids franchisee? | Item 20, Exhibit D or Exhibit E 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 Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit operator addendum require you to resolve disputes with the franchisor by arbitration and/or litigation only in Connecticut. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Connecticut than in your own state.
2. **Spouse Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Conditions.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Inventory Control.** You must maintain inventory of at least \$3,500 at all times, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.
5. **Minimum Mandatory Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

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Exhibits:

- EXHIBIT A: Financial Statements of Sharkey’s Cuts for Kids International Co., LLC
- EXHIBIT B: Application for Franchise
- EXHIBIT C: Franchise Agreement with Attachments
- EXHIBIT D: Personal Guaranty of Principals
- EXHIBIT E: Form of General Release
- EXHIBIT F: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT G: Operations Manual Table of Contents
- EXHIBIT H: Outlets as of the date of this Disclosure Document
- EXHIBIT I: Franchisees Who Have Left the System
- EXHIBIT J: State Addenda
- EXHIBIT K: Form of Restrictive Covenant
- EXHIBIT L: Sharkey’s Cuts for Kids Acknowledgment Statement
State Effective Page
- EXHIBIT M: Receipt

Item 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is Sharkey's Cuts for Kids International Co., LLC, a Connecticut limited liability company formed on April 30, 2013, and is referred to in this Disclosure Document as "we," "us," "our" or "Sharkey's." We refer to the person or entity that will be signing the Franchise Agreement (defined below) as "you," or "your". If you are a corporation, limited liability company, partnership or any type of legal entity, the provisions of the agreements described in this Disclosure Document also apply to your owners by virtue of our requirement that all owners personally guaranty, and be personally bound by, your obligations under the agreements.

Our principal business address is 37 Highland Road, Westport, Connecticut 06880. We are a franchising company that sells and develops franchises for hair salons ("Salons") which operate under the mark "Sharkey's Cuts for Kids" or and the additional principal service marks, trademarks, trade names, logos, emblems and indicia or origin identified in Item 13 of this Disclosure Document (the "Marks" or "Proprietary Marks").

We have never offered franchises in other lines of business. We do own a business of the type being franchised. We have been offering franchises for Salons, a business of the type being franchised since June 2013.

Our agents for service of process are listed on Exhibit F to this Disclosure Document.

Our Parents, Predecessors and Affiliates

We have a predecessor. Our predecessor is Sharkey's Franchising Co., LLC, a Connecticut limited liability company formed on July 8, 2003 ("Predecessor"). Their business address is 37 Highland Road, Westport, Connecticut 06880. Our Predecessor offered franchises for Sharkey's Cuts for Kids salons since July, 2003. Our Predecessor is the current owner of all of our trademarks. Our Predecessor has not offered franchises in any other lines of business.

We have an affiliate Sharkey's Franchise Offering Co., LLC, a Connecticut limited liability company formed on April 2, 2013 ("Affiliate"). Their business address is 37 Highland Road, Westport, Connecticut 06880. Our Affiliate offers franchises for Sharkey's Hair IT IS since May 2013 under a separate Franchise Disclosure Document. This Affiliate has never offered franchises in any other line of business.

Sharkey's Franchise Offering Co., LLC, operates a hair salon designed to attract children and families, and which offers a full service family salon under the name "Sharkey's Hair It Is".

Description of Franchise

Franchise Agreement

You will operate a salon, which is a hair salon furnished and designed to attract children and families, salon and which offers its services to children of all ages and adults, a full-service family Salon under the name "Sharkey's Cuts for Kids". Our Salons provide haircuts in a family friendly environment featuring decorative chairs, video games, televisions and movies. Each Salon has a minimum of eight cutting stations and employs four to six stylists. Each stylist is your employee and does have to provide

their own cutting equipment. Some of our Salons, depending upon the size of the salon, also offer “Glamour Girl” birthday party events where children celebrate their birthday while getting their hair done and dressing up in princess/diva gowns with friends in a private “Glamour Room.”

All Salons are established and operated under a comprehensive and unique system (the “System”). The System includes distinctive signage, interior and exterior design, décor, color scheme, furnishings and fixtures; distinctive products and services; uniform standards, specifications and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures; training and assistance; and advertising and promotional programs; all of which we may change, improve and further develop, at our discretion. We recommend your salon be 950 to 1,400- square feet for a franchise. Details of the System are described in this Disclosure Document and our Confidential Operations Manual. We have 2 package types depending on the location you choose for your Salon. If the leasehold improvements needed to convert the selected location into a salon will be handled by you and your team, you will be signed under the A-Package. If your landlord will be handling the leasehold improvements for your location, you will be signed under the B-Package. These packages cannot be determined until after a location is selected so there is no substantial difference in the Franchise Agreement. For further details on the pricing of each package please refer to item 7 of this Disclosure document.

We offer the right to establish and operate a Salon under the terms of a single unit franchise agreement (the “Franchise Agreement”), the current form of which is attached as Exhibit C to this Disclosure Document. If you wish to own or operate more than one Franchised Business, you will be required to purchase a Multi-Unit Addendum. When signing a Multi-Unit Addendum you will be agreeing to either the A-Package or B-Package when signing much like you would when signing the Franchise Agreement alone. If you purchase a Multi-Unit Addendum, you must sign a single Franchise Agreement in addition to our Multi-Unit Addendum which will be included as Attachment 7 to the Franchise Agreement. The Multi-Unit Addendum is attached to this Disclosure Document as part of the Franchise Agreement. If you choose to sign the Multi-Unit Addendum, you will need to sign a then-current Franchise Agreement upon the commencement of each outlet in the development schedule. Please be aware, over the course of opening each unit under the Multi-Unit Addendum, the Franchise Agreement may go through material changes and each Franchise Agreement should be reviewed upon each signing.

You may be an individual, corporation, partnership or other form of legal entity. Under the Franchise Agreement, certain parties are characterized as your principals (referred to in this Disclosure Document as “Controlling Principals”). The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as Controlling Principals. In most instances, we will designate your principal equity owners, executive officers, and certain affiliated entities as Controlling Principals. By signing the Franchise Agreement, your Controlling Principals must be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guaranty your performance under the Franchise Agreement.

Market and Competition

You will offer hair care services to the general public, but primarily children.

The market for the hair care services offered by the Salons is highly competitive. However, we believe our competitive position is enhanced by our operational format and by the various services offered by the Salons. We plan to continue controlled expansion into areas that we determine can support the Salons to improve name recognition and the reputation of the System. The children’s segment of the hair care industry represents an opportunity to exploit a substantial market. Competition consists of traditional independent hair care stores, including barber shops, independent hair salons and stylists, day spas and

regional and national chains. The principal bases of competition in the hair care industry have been price, convenience, speed of delivery, quality and name recognition.

Industry Regulations

The Salon's stylists must be licensed in the state in which the Salon is located by the appropriate licensing authorities. There will be industry-specific regulations in your municipality, county or state relating to the operation of a hair care salon. Health and sanitation regulations will require that your stylists maintain their haircutting equipment according to specified standards, including following proper sanitizing and hair disposal procedures. Environmental laws may regulate the way in which certain solutions are used, stored and disposed of in the process of providing services to your customers. Building codes may require special ventilation in your Salon. You must also comply with employment, workers' compensation, insurance, corporate, taxing and other laws and regulations. Among the licenses and permits you may need are: zoning or land use approvals, Sunday sale permits, sales and use tax permits, special tax stamps, fire department permits, health permits, alarm permits, county occupational permits, retail sales licenses and wastewater discharge permits. There may be other laws, rules or regulations that affect your Salon, including wage and labor laws along with ADA, OSHA and EPA considerations. You must comply with all laws and licensing requirements related to the operation of your Salon. We recommend that you consult with your attorney for an understanding of them.

Item 2: BUSINESS EXPERIENCE

Founder – Scott Sharkey

Mr. Sharkey is the Founder and Manager of Sharkey's Cuts for Kids International Co., LLC., in Westport Connecticut, since April 2013. Mr. Sharkey has been Founder and President of Sharkey's Franchise Offering Co., LLC, in Westport Connecticut since our inception on April 2, 2013. He is also the Founder and Manager of Sharkey's Franchising Co., LLC, in Westport Connecticut which was formed in July 2003.

Chief Operating and Financial Officer– Denis Kurdi

Mr. Kurdi joined Sharkey's Cuts for Kids International on June 1, 2017. From January 1987 to June 2017, Mr. Kurdi was Vice President of Print and Media for North American for Quest Solutions Canada Inc., in Ontario, Canada.

Director of Real Estate – Michael Cohen

Mr. Cohen joined Sharkey's Cuts for Kids International in August 2018. Prior to working for Sharkey's Cuts for Kids International Mr. Cohen worked for over 25 years in business ownership & management with Darby Corp based out of New York, New York.

Director of Store Operations – Jamie Raney–

Jamie Raney joined Sharkey's Cuts for Kids International in February, 2022, bringing 15+ years of creating, leading, and developing individuals and teams with a strong commitment to building business performance. Jamie oversees day to day operations of each Sharkey's Salon, along with her support staff, and supervises managers and salon staff. Prior to joining us, Jamie worked as a Franchise Business Consultant and Performance Manager for Regis Corporation in Nashville, Tennessee.

Vice President of Franchise Sales – Jessica Curri –

Ms. Curri is responsible for all aspects of awarding franchise locations for the company. Jessica also assists in finding 3rd party financing options for new franchisees, as well as best possible territories.

Item 3: LITIGATION

Commonwealth of Virginia, ex rel. vs. Sharkey's Cuts For Kids International Co., LLC and Scott Sharkey (Case No. SEC-2014-00003). On April 2, 2014, in accordance with Section 13.1-560 of the Virginia Retail Franchising Act ("Act"), Section 13.1-557 et seq. of the Code of Virginia, Section 13.1-563 (2) of the Act and Section 13.1-563 (4) of the Act, the State Corporation Commission ("Commission") required Sharkey's Cuts For Kids International Co., LLC. ("Sharkey Cuts for Kids") to sign a Consent Order for violations of those sections in that Sharkey's Cuts For Kids sold one franchise prior to registering our Disclosure Document and did not provide prospective franchisees with such disclosure documents. The Order required Sharkey's Cuts For Kids to offer rescission to the franchisee who bought the franchise. Sharkey's Cuts for Kids was also required to pay \$3,000 in monetary penalties and \$1,500 for the cost of the investigation. Sharkey's Cuts For Kids International Co., LLC offered rescission to the franchisee. The franchisee refused rescission and remain in the Sharkey's Cuts for Kids system. The final order was entered on June 11, 2014.

Marion Edward Myrick a/k/a Ed Myrick vs. Sharkey's Cuts for Kids International Co., LLC (Case No. 01-22-0004-7039). Claimant, a former franchisee of three franchises, filed a statement of claim against Sharkey's Cuts for Kids International Co., LLC ("Sharkey's Cuts for Kids") on November 7, 2022. The statement of claim sought a return of the initial fees paid, alleging breach of the duty of Franchisor's pre-opening obligations. In December 2022, the parties reached a mutual settlement to resolve the arbitration, without any liability or admission of wrongdoing, and Sharkey's Cuts for Kids took action to terminate and remove the Claimant from the system and refunded the initial franchise fees paid by Claimant.

No other litigations are pending or required to be disclosed in this Item.

Item 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5: INITIAL FEES

Franchise Agreement

If you purchase a Salon franchise, you must pay us an Initial Franchise Fee of \$159,990 for the right to establish a single Salon under a Franchise Agreement.

The cost of the following equipment and supplies is included in the Initial Franchise Fee for a Sharkey's Cuts for Kids franchise: desk, base cabinets, adult styling chairs, kids styling chairs, station vanities, Xbox 1 consoles, flat panel televisions, television wall brackets, shelves for display, shelves and racks for in-store display, stools, monogrammed fixtures for vanities, assorted mirrors, manicure station, waiting area stools, chalk buckets, slop sink, mobile cart, electronic hair removal machines (eye-vac), vacuum, donation chips & boxes combs, brushes, flat iron, curling irons, blow dryers, clippers, buzzers, towels, capes, aprons, sanitizing jar and sanitizing liquid, hair washing stations, hair washing chairs, booster seats, monogrammed lampshades, Sharkey dollars, Sharkey bookmarks, Sharkey 1st haircut certificates & baggies, telephone, assorted wall hooks, Dippin' Dots Freezer, retail, glamour dresses, nail polish & rings, balloons & stand, desk accessories, picture printer, princess clip containers & lollipops. As

part of your initial franchise fee, we will also create a website for you and will supply you with a domain name. The website will be similar in appearance to our own website (www.sharkeycutsforkids.com). The hosting fee is not included in the Initial Franchise Fee.

In the event that you are purchasing a 2-Pack of Sharkey's Cuts for Kids franchise (a "Multi-Unit Addendum"), the initial franchise fee shall be \$246,990 that must be paid to the franchisor and/or its affiliate \$123,495 per franchise, \$211,490 due at signing, the balance of \$35,500 due at signing of second franchise lease). (Franchisee is given 2 years to open 2 Sharkey's salons. Franchisee awarded the rights to two designated territories of their choice)

In the event that you are purchasing a 3- Pack of Sharkey's Cuts for Kids franchise (a "Multi-Unit Addendum"), the Initial Franchise Fee is \$354,990 that must be paid to the franchisor and/or its affiliate \$118,330 per franchise, \$283,990 due at signing, then \$35,500 due at signing of second franchise lease and \$35,500 due at signing of third franchise lease (Franchisee is given 3 years to open 3 Sharkey's salons. Franchisee awarded the rights to three designated territories of their choice).

All Franchise fees are non-refundable.

If certain items included in the above list are not available at the time we supply your franchise, we will replace any item that is of equivalent value and serves the same or similar purpose. The Franchise Equipment being delivered will give you between 8-11 cutting stations.

Additionally, you will receive training further described in Item 11.

Grand Opening & First 6 Month Advertising Campaign

You are required to spend a minimum of \$12,000 for the Grand Opening Advertising of your Sharkey's Salon. We will collect \$9,500 of this when you sign your Franchise Agreement, to conduct your grand opening advertising campaign on your behalf, as we determine in our discretion, during the three (3) months leading up to and up to six (6) months immediately following the Grand Opening of your Sharkey's Salon. You are permitted to spend the remaining \$2,500 as you see fit, but you must spend at least that amount during the six (6) months immediately following the Grand Opening of your Sharkey's Salon.

There are no other payments to or purchases from us or our affiliates that you must make before your Salon opens for business.

Item 6: OTHER FEES

| Name of Fee | Amount | Due Date | Remarks |
|--------------------------------------|---|--|---|
| Royalty Fee ¹ | \$1,000per month for months 4-12 ; \$1,250per month for months 13-24; \$1,500 per month for months 25-36, \$1,750 per months commencing month 37and for the remainder of the term | 1 st of each month, or the next business day if the 1 st is not a business day | Your royalty payments will be paid via electronic funds transfer or Credit Card, or Paypal, or any other method chosen by Franchisor |
| On-Site Consulting Fees ² | \$125 per day, plus travel, lodging and meals | 30 days after billing | As part of your Initial Franchise Fee, we provide certain pre-opening consultations. See Items 5 and 11. |
| Successor Agreement Fee ² | \$2,500 | At least six months before Successor Term | Your Successor Agreement fee will only be due if you wish to enter into a Successor Agreement for your franchise after your initial 10 year term or any subsequent successor term |
| Relocation Fee ² | \$2,500 | Upon our approval of relocation | As stated in the Franchise Agreement, your ability to relocate your franchise is limited and subject to this fee |
| Transfer/Assignment Fee ³ | \$15,000 | Upon submission of the request for transfer and all pertinent terms of the transaction | This is a fee in the event that you sell your franchise. There is no charge if your franchise is transferred, one time only, to a corporate entity which you control. |
| Interest ⁴ | 18% per annum(or, if less, the highest amount permitted bylaw) | On demand | Due on any royalty and other payments not made by you when due, or on amounts paid by us on your behalf |
| Late Fee | \$125.00 per incident | On Demand | |

| Name of Fee | Amount | Due Date | Remarks |
|---|--|----------------------------|--|
| Liquidated Damages Upon Breach of Restrictive Covenant ⁵ | \$20,000 plus 10% of total sales ⁵ for each site operated in breach | As incurred | This fee is only applicable if you breach the restrictive covenant of the Franchise Agreement |
| Local Advertising ⁶ | 3% of Gross Sales | Established by franchisees | Payable to your local advertising vendors. All advertising you propose to use must be pre-approved by us |
| Indemnification | Will vary under circumstances | As incurred | You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Salon or in connection with any offer of your securities, or for costs associated with defending claims that you used the trademarks in an unauthorized manner |
| Interim Operating Fee | As determined by us not to exceed \$5,000 per month | As incurred | This fee is only applicable if you abandon or otherwise fail to operate your franchise |
| Arbitration Costs | To be paid by the non-prevailing party as determined by the arbitrator | As incurred | Under the Franchise Agreement, if there is an arbitration, the costs of the arbitration will be paid by the party that is determined by the arbitrator to be the non-prevailing party |
| Additional Training ⁷ | \$125 per hour | As incurred | See note 7 |
| Annual Conference | \$750 - \$1,750 per person plus food, travel and lodging | As incurred, annually | Payable to Us. |
| Costs and Attorneys' Fees | Will vary under circumstances | As incurred | Due when you do not comply with the Franchise Agreement |
| Liquidated Damages Upon Termination ⁸ | Will vary under circumstances | Upon demand | See note 8 |
| Audit or inspection cost | Cost of audit | Upon demand | You must pay the cost of an audit, inspection, and reasonable professional fees if we inspect your books and find a discrepancy of 5% or greater in any data reported by you, or an underpayment of 2% or more of any fees due |

| Name of Fee | Amount | Due Date | Remarks |
|---|--|-----------------|---|
| Monthly Software fee ⁹ | \$165.00 | Payable monthly | This is the fee you must pay the hosting company |
| Loyalty/Rewards Program ⁹ | \$0 | Payable Monthly | Included with the Monthly software fee. |
| Remodeling, Refurbishment, New Equipment and/or New Furniture | Not to exceed \$25,000 in a 5year period | As incurred | We may require you to remodel, refurbish or update your Salon to meet our then-current image for Sharkey’s Salons. The costs for the remodeling, refurbishment or updating will be paid to us, approved suppliers and your contractor. We will not make this request more frequently than every five years, at a maximum amount of \$25,000 |

Notes:

1. Royalty payments to be automatically deducted via electronic funds transfer, ACH on the first day of each month or via Credit Card or via Paypal, plus 3% as determined by us. If the first day of any month is not a business day, the Royalty fee is due on the next business day.
2. All fees are uniformly imposed by us and are payable to us, except as otherwise noted. All fees are non-refundable.
3. Fee is refundable, minus out-of-pocket expenses incurred by us, only in the event that we do not approve the transfer contemplated by the request.
4. Interest begins to accrue from the date of the payment is due or the date on which we make a payment on your behalf.
5. For purposes of the liquidated damages provision, total sales includes sales from all services and products sold and any other fees collected at the site operated in breach of your obligations. Total sales does not include sales tax or use tax.
6. Under the Franchise Agreement, you have an obligation to spend a minimum of 3% of your Gross Sales per month on advertising. For purposes of your advertising obligations, “Gross Sales” shall mean sales from all services and products sold and any other fees(i.e., “Glamour Party” costs) collected by you at your Salon **minus** all sales tax and/or use tax. “Gross Sales” does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, and (iii) properly documented promotional discounts (i.e. coupons) Gross Sales does not include gift card purchases, at the time of purchase, but Gross Sales does include the redemption amount of purchases made by gift card. All advertising must be pre-approved by us and must include the phrase “Franchises Available. Call 203-637-8911 for more information.”
7. We may offer mandatory and/or optional additional training programs from time to time. If we require it, you must participate in additional training, including attendance at a national business

meeting or annual convention, for up to five (5) days per year, at a location we designate. Franchisor may require additional training be completed at Franchisee's expense. Additional training may be conducted virtually. We reserve the right to impose a reasonable fee for all additional training programs, including the national business meeting or annual convention. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages.

8. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the then-current monthly Royalty Fee multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.
9. As part of your initial franchise fee, we will create a web page for you and will supply you with a domain name. The website will be similar in appearance to our own website (www.sharkeycutsforkids.com). Franchisor will pay for the web page hosting fee directly to the hosting company. Currently, the fee is approximately \$165.00 per month for your software and loyalty/rewards program which will be paid by franchisee directly to the software company.

Item 7: ESTIMATED INITIAL INVESTMENT

Single Unit A Package

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY'S FRANCHISE (A-PACKAGE) | | | | |
|--|---|--------------------------|------------------------------------|-----------------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Initial Franchise Fee | \$159,990 | One payment | On signing the Franchise Agreement | Us. |
| Rental – 1 months (1) | \$1,750 to \$5,500 | Per lease | Per lease | Landlord |
| Leasehold Improvements (1b) | \$0 to \$53,620 (After TI reimbursement) | As arranged | As arranged | Contractor |
| Professional Fees (2) | \$0 to \$2,500 | As incurred | As incurred | Attorney |
| Blue Prints and Plans (3) | \$0 to \$5,000 | As arranged | As arranged | Architect; Government Agencies |
| Computer Systems & Software, Indoor & Outdoor Signage, Lighting, Tile, Paint, Washer/Dryer | \$14,500-\$24,000 | | Before Opening | Third party vendor |

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY'S FRANCHISE (A-PACKAGE) | | | | |
|--|-------------------------------|--------------------------|-----------------|-----------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Insurance Premiums – Per Month (4) | \$175 to \$250 | Lump sum | Before opening | Insurance Companies |
| Security Deposits | \$750 to \$5,750 | Lump sum | Before opening | Landlord; Utility Companies |
| Grand Opening Advertising (5) | \$12,000 | As arranged | As arranged | Us |
| Permits and Licenses (6) | \$250 to \$750 | As incurred | Before opening | Governmental Agencies |
| Additional Funds – Three Months (7) | \$0 to \$30,000 | As incurred | As incurred | Suppliers, Employees, etc. |
| TOTAL (1b) & (7) | \$188,665 to \$299,360 | | | |

None of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable and the initial franchise fee is partially refundable in certain circumstances (see Item 5). We do not finance any portion of your initial investment.

Single Unit B Package

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY'S FRANCHISE (B-PACKAGE) | | | | |
|--|-----------------------|--------------------------|--|---|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Initial Franchise Fee | \$159,990 | One payment | \$159,990 on signing the Franchise Agreement | Us |
| Rental – 1 months (1) | \$1,750 to \$5,500 | Per lease | Per lease | Landlord |
| Leasehold Improvements | \$0 - \$35,000 | As arranged | As arranged | Contractor, Real estate broker and Attorney |
| Professional Fees (2) | \$0 to \$2,500 | As incurred | As incurred | Attorney |
| Blue Prints and Plans (3) | \$0 | As arranged | As arranged | Architect; Government Agencies |

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY'S FRANCHISE (B-PACKAGE) | | | | |
|---|-------------------------------|--------------------------|-----------------|-----------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Software, Hardware, Indoor & Outdoor Signage, Lighting, Tile, Paint, Washer/Dryer | \$14,500-\$24,000 | | Before Opening | Third party vendor |
| Insurance Premiums – Per Month (4) | \$175 to \$250 | Lump sum | Before opening | Insurance Companies |
| Security Deposits | \$750 to \$5,750 | Lump sum | Before opening | Landlord; Utility Companies |
| Grand Opening Advertising (5) | \$12,000 | As arranged | As arranged | Us |
| Permits and Licenses (6) | \$250 to \$750 | As incurred | Before opening | Governmental Agencies |
| Additional Funds – Three Months (7) | \$0 to \$30,000 | As incurred | As incurred | Suppliers, Employees, etc. |
| TOTAL (7) | \$188,665 to \$275,740 | | | |

None of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable and the initial franchise fee is partially refundable in certain circumstances (see Item 5). We do offer financing to qualified individuals towards your initial franchise fee. A down payment of \$135,990 is required with no annual interest rate (see Item 10 for further details).

ESTIMATED INITIAL INVESTMENT

2 Pack Franchise Package A

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY'S FRANCHISE PACKAGE A | | | | |
|--|----------------------------|--|---|-----------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Initial Franchise Fee | \$246,990 | \$211,490 Due at Signing, \$35,500 Due at Lease Signing of Salon #2 | Upon signing of the Franchise Agreement | Us |
| Other Expenditures for Salon #1& #2 | \$57,350-\$278,740 | As Disclosed in First Table | As Disclosed in First Table | As Disclosed in First Table |
| Total | \$304,240-\$525,730 | | | |

2 Pack Franchise Package B

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY'S FRANCHISE PACKAGE B | | | | |
|--|----------------------------|--|---|-----------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Initial Franchise Fee | \$246,990 | \$211,490 Due at Signing, \$35,500 Due at Lease Signing of Salon #2 | Upon signing of the Franchise Agreement | Us |
| Other Expenditures for Salon #1& #2 | \$57,350 -\$231,500 | As Disclosed in First Table | As Disclosed in First Table | As Disclosed in First Table |
| Total | \$304,340-\$478,490 | | | |

ESTIMATED INITIAL INVESTMENT

3 Pack Franchise Package A

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY’S FRANCHISE PACKAGE A | | | | |
|--|----------------------------|--|---|-----------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Initial Franchise Fee | \$354,990 | \$283,990 Due at Signing, \$35,500 Due at Lease Signing of Salon #2 & #3 | Upon signing of the Franchise Agreement | Us |
| Other Expenditures for Salon #1, #2&# 3 | \$86,025-\$418,110 | As Disclosed in First Table | As Disclosed in First Table | As Disclosed in First Table |
| Total (1b) | \$441,015-\$773,100 | | | |

3 Pack Franchise Package B

| YOUR ESTIMATED INITIAL INVESTMENT-SHARKEY’S FRANCHISE PACKAGE B | | | | |
|--|----------------------------|--|---|-----------------------------|
| Item | Estimated Cost | Method of Payment | When Due | To Whom Paid |
| Initial Franchise Fee | \$354,990 | \$283,990 Due at Signing, \$35,500 Due at Lease Signing of Salon #2 & #3 | Upon signing of the Franchise Agreement | Us |
| Other Expenditures for Salon #1, #2&# 3 | \$86,025-\$347,250 | As Disclosed in First Table | As Disclosed in First Table | As Disclosed in First Table |
| Total | \$441,015-\$702,240 | | | |

Notes:

1. If you do not own adequate shop space, you must lease or buy the land and the building for your Salon. Typical locations will be in residential and suburban areas. We recommend your salon be 950 to 1,400 square feet for a franchise. Rent is estimated at about \$3,200 to \$5,500 per month for a franchise, which will be paid to your landlord (if you rent) or your mortgage company (if you purchase), but can vary depending on any number of factors, including the size of your Salon, the market conditions in the location you select and the terms you negotiate with the landlord/seller. Additionally, you will most likely have to engage a designated real estate licensing company (Sharkey’s will provide you one) which is included in the initial Franchise Fee. You will also need a local attorney to assist you. The attorney is an additional cost you must pay and is not included in the initial franchise fee. Finally, while we will provide a representative that will create specifications for your Salon, you must engage and pay for a contractor to perform renovations. The

cost of the renovations will vary depending on the condition of the property and the contractor you select. We suggest you obtain several competitive bids before you select your contractor. All construction costs in this estimate are subject to local market conditions in your area and will vary or possibly exceed average estimates depending on the city and state you choose for your franchised salon and supply chain conditions.

- 1b. If you are able to secure a Turn-Key package from your landlord, which Sharkey's recommends, you will save up to approximately \$35,000 in lease hold improvements, per franchise, and not have to pay for a contractor. When the landlord handles the buildout or under special conditions you may have with contractors in your area, this can result in no charges during your leasehold improvements.
2. You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity and/or obtaining zoning approval. This list is not exhaustive. This amount will vary greatly depending on your specific needs and location. We strongly recommend however do not require that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. The low range of this initial investment assumes you have chosen not to seek the assistance of professional advisors. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your franchise
3. If your location's landlord decides to handle the necessary buildout or you have a arrangement with local contractor in your area this could result in no charges incurred during the blueprints and plans portion of your salon opening process.
4. You must, at your sole expense, obtain and maintain during the term of the Franchise Agreement, a comprehensive general liability insurance policy and business interruption insurance. The general liability and business interruption insurance policies must name us as an additional insured. All insurance policies must be in a form that is acceptable to us and may not be subject to cancellation or any material change except after 30 days' prior written notice to us. The insurance policies must provide that your failure to comply with any term, condition or provision of the contract, or other conduct by you, will not void or otherwise affect the protection afforded to us under the policy. Within sixty days after the execution of the Franchise Agreement and as may otherwise be requested by us, you must provide us with a Certificate of Insurance naming us as an additional insured on the general liability and the business interruption policies.
5. You must conduct a grand opening advertising campaign to advertise the opening of your Salon. Your grand opening advertising campaign must be approved by us before you conduct it, and all advertising must include the terminology we require. We will collect \$9,500 of this when you sign your Franchise Agreement, to conduct your grand opening advertising campaign on your behalf. You are permitted to spend the remaining \$2,500 as you see fit, but you must spend at least that amount during the six (6) months immediately following the Grand Opening of your Sharkey's Salon. We reserve the right to require you to give the advertising monies to us and we will conduct the grand opening advertising campaign on your behalf.
6. You must obtain and pay for all licenses and permits you will need to perform the necessary construction and operate your business. This includes but is not limited to a Cosmetology license as required by your state. These fees may vary significantly depending on your location.

7. This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first three (3) months after commencing operations. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. This estimate includes such items as rent, utilities, internet service, initial payroll and payroll taxes, Royalties (as described in this disclosure document), Marketing Fund Contributions, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, and other miscellaneous items. These estimates do not include any compensation to you nor do they include debt service. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations.

Item 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have identified various suppliers, distributors and manufacturers of equipment, inventory, and services that your Franchised Business must use or provide that meet our standards and requirements. You must purchase all equipment, fixtures, inventory, supplies and services from our designated suppliers and contractors or in accordance with our specifications.

You must use, at your expense, our designated real estate leasing company for site selection services.

We approve suppliers after careful review of the quality of the products they provide to us and you. To maintain quality and consistency throughout its franchise system, we require you to purchase your ongoing inventory and any replacement equipment (e.g., barber chairs, furniture, etc.), fixtures, décor and signage you may need from us or an approved supplier. The foregoing inventory and/or equipment are the only products and/or services you must purchase from us and/or an approved supplier. We may supply these items to you directly, in which event you will be billed by and pay us. We may derive revenue from approved suppliers based on your purchases from them, up to 10% of total franchisee purchases. There is no restriction on our use of this revenue, although we intend to use it to advertise and promote the Sharkey's System. Throughout the term of the franchise relationship, we reserve the right to require you to purchase your ongoing inventory directly from us. There are no purchasing or distributing cooperatives at this time. You must maintain a minimum of \$3,500 wholesale dollars and \$7,000 of retail dollars of retail products inside your Salon at all times.

To ensure that the highest degree of quality and service is maintained, you must operate the Salon in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must maintain a minimum of \$3,500 wholesale dollars of retail products inside your Salon at all times. You must maintain a minimum of \$2,000 (wholesale dollars) Sharkey's hair care products as part of your \$3,500 minimum and maintain a minimum of \$750 (wholesale dollars) of Sharkey's branded items. You must maintain them in sufficient supply and use and sell at all times only those products, materials, supplies and paper goods that meet our standards and specifications. You must not deviate from these standards and specifications by the use or offer of non-conforming items or differing amounts of any items, without obtaining our prior written consent. You must discontinue offering for sale any items, products and services we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Manual.

If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meet our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we

approve or disapprove of the proposed item or supplier within 14 days after we receive all required information to evaluate the product or service. If we do not approve any request within 14 days, it is deemed unapproved. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving items and suppliers are not available to you. If you request that we approve a proposed item or supplier, we reserve the right to charge an Evaluation Fee equal to our actual costs of inspection and testing.

We maintain written lists of approved items of equipment, fixtures, inventory and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We update these lists periodically and issue the updated lists to all franchisees.

Neither we nor any of our affiliates is the sole approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business. None of our officers own any interest in any approved or designated supplier for any product, good, or service that you are required to purchase for the operation of your Franchised Business.

To maintain the quality and consistency of franchisee websites, we require you to use Diversified Solutions to host and maintain your website, or any other company as we may elect to utilize at some later date. We do not earn revenue from Diversified Solutions based on your payment to them for web hosting or maintenance services.

We do not currently provide any material benefits to you based on your use of designated or approved sources. We may negotiate purchase agreements with our suppliers that may result in cost saving benefits to our franchisees.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 90-95% of your costs to establish your Franchised Business and approximately 20% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

From time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees. As of the date of this Disclosure Document, we have not created any purchasing arrangements with suppliers.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

Before you open your Sharkey's Cuts for Kids Salon, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Commercial general liability with limits of not less than \$1,000,000; professional liability with limits of not less than \$1,000,000; business interruption insurance; contents coverage, including tenant's improvements value, at replacement cost; sewer back-up insurance; workers' compensation, employer's liability and other insurance required by applicable state laws; and any other insurance that may be required according to the terms of the lease for the premises or as may be required by us in the future. You must maintain all required policies in force during the entire term of the Franchise Agreement and any successor terms. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of

insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us (and, if we request, our directors, employees or shareholders) as additional insureds and must provide us with 30 days' advance written notice of any material modification, cancellation or expiration of the policy.

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 | Franchise Agreement – Sections 7(a), 7(b) and Attachment 7 | Items 8, 11 and 12 |
| b. Pre-opening purchases/leases | Franchise Agreement – Sections 7(b), 7(c), 7(f) and 7(j) | Items 7 and 8 |
| c. Site development and other pre-opening requirements | Franchise Agreement – Sections 7(c), 7(e), 7(f) and 7(j) | Items 7, 11 and 12 |
| d. Initial and ongoing training | Franchise Agreement – Sections 6(a), 6(b), 6(c) and 7(i) | Items 6, 7, 11 and 15 |
| e. Opening | Franchise Agreement – Sections 6(e) and 8(e) | Item 11 |
| f. Fees | Franchise Agreement – Sections 3(c)(vi), 3(c)(ix), 5, 6(a), 6(b), 8(c), 8(d), 13(f) and Attachment 7 | Items 5 and 6 |
| g. Compliance with standards and policies/Operating Manual | Franchise Agreement – Sections 4(c), 6(f), 7(c), 7(d), 7(e), 7(f), 7(g), 7(h), 7(i), 7(j), 7(l), 7(q), 8(a), 8(g), 8(i), and 9 | Item 8 |
| h. Trademarks and proprietary information | Franchise Agreement – Sections 4, 7(m), 11(a)(i), 16(a) 16(b), 16(c) and 17(d) | Items 1, 13 and 14 |
| i. Restrictions on products/services offered | Franchise Agreement – Sections 7(f) and 15(a)(vi) | Items 8 and 16 |
| j. Warranty and customer service requirements | Franchise Agreement – Sections 7(i) and 18(e) | Item 8 |
| k. Territorial development and sales quotas | Attachment 7 | Item 12 |
| l. Ongoing product/service purchases | Franchise Agreement – Section 7(f) | Items 8 and 16 |
| m. Maintenance, appearance and remodeling requirements | Franchise Agreement – Sections 3(c)(iv), 7(a), 7(c) and 7(e) | Items 7, 8 and 17 |
| n. Insurance | Franchise Agreement – Section 10 | Items 6, 7 and 8 |

| Obligation | Section in Agreement | Disclosure Document Item |
|--|--|---------------------------|
| o. Advertising | Franchise Agreement – Section 8 | Items 6, 7 and 11 |
| p. Indemnification | Franchise Agreement – Section 11 | None |
| q. Owner’s participation/management/staffing | Franchise Agreement – Sections 6(a) – (c) and 7(h) | Item 15 |
| r. Records/reports | Franchise Agreement – Sections 8(b), 9(a) and 9(c) | Item 6 |
| s. Inspections/audits | Franchise Agreement – Sections 7(a) and 9(d) | Item 6 |
| t. Transfer | Franchise Agreement – Sections 13 and 17 | Item 17 |
| u. Renewal | Franchise Agreement – Sections 3(b) and 3(c) | Item 17 |
| v. Post-termination obligations | Franchise Agreement – Sections 16 and 17 | Item 17 |
| w. Non-competition covenants | Franchise Agreement – Section 7(n) | Items 15 and 17 |
| x. Dispute resolution | Franchise Agreement – Sections 14(d) and 14(e) | Item 17 |
| y. Liquidated damages | Franchise Agreement – Sections 7.20 and 16 | Item 6 |
| z. Guaranty | Attachment 3 and Attachment 6 | Item 10, 15 and Exhibit D |

Item 10: FINANCING

From time to time, we may offer financing for single or multi unit purchases for up to \$72,000.00 for the Initial Franchise Fee, if we are offering financing at that time and you meet our qualifications. You must sign a Promissory Note, Personal Guaranty, if applicable, and Security Agreement (See Attachment 4 of the Franchise Agreement). We do not offer any other direct or indirect financing. Financing is not offered and cannot be combined with any promotions.

The following table shows an example of the financing we may offer you, but subject to change at the time of offer:

| Item Financed | Source of Financing | Down Payment | Amount Financed | Term (Yrs) | Interest Rate | Monthly Payment | Prepay Penalty | Security Required | Liability Upon Default | Loss of Legal Right on Default |
|-----------------------|---------------------|--|-----------------|------------|---------------|------------------------------|----------------|-------------------|------------------------|--------------------------------|
| Initial Franchise Fee | Us | \$83,990(single unit), \$182,990(2-pack), \$290,490 (3-pack) *Down payments listed are based on \$72,000 financed | Up to \$72,000 | 1-3 years | 2.5% | \$\$1750 - \$3,000 per month | None | See Note 1. | See Note 2. | See Note 3. |

¹ You are required to sign a Security Agreement that will grant us a security interest in the assets of your Sharkey's Cuts for Kids Franchise, including but not limited to, your furniture, fixtures, equipment, inventory, contracts and accounts receivable. Additionally, your spouse is required to sign a personal guaranty.

² If you default on your obligations under the Promissory Note, we have the right to require immediate payment of the full balance of the amount owing under the Promissory Note, collect the full balance owing from you or any guarantor, file suit and obtain judgment, take possession of any collateral, or sell, lease or otherwise dispose of any collateral at public or private sale, with or without advertisement. You must also pay our costs to collect the debt, including courts costs and reasonable attorney's fees. Additionally, a default of the Promissory Note is a default of the franchise agreement, and we may terminate your franchise agreement.

³You waive your rights to notice of a collection action and to assert any defenses to collection against us or our affiliate. Additionally, a default of the Promissory Note is a default of the franchise agreement, and we may terminate your franchise agreement.

⁴ At this time, there are not finance charges.

Item 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations – Franchise Agreement: Before you open your Salon under the Franchise Agreement, we will:

1. Directly or indirectly provide you with the equipment, inventory, signage, fixtures and supplies we believe will be necessary to open and initially operate a Salon as listed in Item 5. If certain items included in the above list are not available at the time we supply your franchise, we will replace any item that is of equivalent value and serves the same or similar purpose. We do not deliver or install these items. You must maintain the equipment, signage and fixtures and to replenish your inventory and supplies on an as needed basis. (Franchise Agreement – Section 6.3)

2. Supply you with a domain name and create a web page for your specific location. Franchisor will pay the cost of hosting the website, as well as for any updates or changes that may be necessary to keep your web page current to Diversified Solutions or any company determined by the Franchisor. (Franchise Agreement – Section 6.4)

3. Assist you in selecting a business location. If you sign our Multi-Unit Addendum, we will approve or disapprove the site of each additional Sharkey's Cuts for Kids location you propose to develop in accordance with our then-current standards. We do not currently own sites for leasing to Franchisees. We strongly recommend a location that provides you with 950 to 1,400 square feet of useable space for a franchise (but not less than 950 square feet). Your location must have a minimum of seven off-street parking spaces. We will review the on-street parking available at each location to determine if on-street parking is satisfactory. You will submit a list of possible locations to us. In submitting your selections, you should supply us with as much information as you have regarding the location(s) you have selected. Within fourteen days of receiving your information, we will make a recommendation as to the location that we believe is most appropriate for a Salon. Our decision will be based on any number of factors, including the rental/acquisition costs, local population, traffic patterns, proximity of competition advisability you do not identify a site that meets our approval within one hundred eighty (180) days of signing the Franchise

Agreement, we reserve the right to terminate the Franchise Agreement. (Franchise Agreement – Section 6.5, Attachment 7)

4. The location you select and we approve will be purchased or leased by you from independent third parties. You will provide us with a copy of your lease before you sign the lease. Although we have the right to object to the terms of your lease, you must negotiate the terms of any sale or lease of the location. We have the right to object to the location and object to the terms of the lease agreement. If we cannot agree on a proposed site, we may elect to terminate the Franchise Agreement and keep the entire initial franchise fee. We generally do not own the premises and lease it to you. (Franchise Agreement – Section 6.5)

5. Within 30 days of your signing a letter of intent for your location, provide you with our representative who will create written specifications for salon construction or remodeling. You must then hire a contractor, unless you are provided a turnkey solution from your landlord, who will remodel your location to meet the specifications created by us. You must hire and pay for your contractor. You must make sure that your location is remodeled in accordance with the specifications supplied by us and generally conforms to the standards and guidelines established by us. You pay for the construction or remodeling. We assume no responsibility for any loss sustained by because of building design or construction. You will not be allowed to open your business unless the specifications supplied by us are followed in all material respects or any changes are approved by us in writing, before being implemented. In addition, you must obtain any required permits and licenses for the construction or remodeling, and for ensuring that all construction and remodeling meets state and local building and other codes, as well as any other applicable law, such as the Americans with Disabilities Act. (Franchise Agreement – Section 6.6)

6. Before the opening of your business, we will provide you (first training course) and your manager (second training course), a training course given virtually which covers operation and administration of a Salon. The training consists of (i) operations and retail training with a representative from Sharkey’s corporate; and (ii) management training conducted by an employee of ours that has at least three years’ experience with the franchise system in a management and/or training role. The training course will also cover marketing and advertising suggestions and in-depth discussions of our Manual. The price for this training is included as part of your initial franchise fee. (Franchise Agreement – Section 6.1)

Post-Opening Obligations – Franchise Agreement: During the operation of your Salon, we will:

1. In our discretion, develop new service and product offerings and provide you with information about developments. (Franchise Agreement – Section 6.7)

2. Be available to you (by appointment) for telephone consultations regarding general questions and operational problems you may encounter. (Franchise Agreement – Section 6.7)

3. In our discretion, hold annual or semi-annual conferences or conventions (which will be conducted at our Connecticut headquarters or some other location chosen by us) to discuss sales techniques, advertising, staff training and other business related topics. These conferences are mandatory for franchisees and managers (Franchisor will have the option to not include managers) to attend. Any costs related to attending the conference will be borne by you, including travel, lodging, meals and wages, if applicable. (Franchise Agreement – Section 6.2)

4. Provide advertising on behalf of the entire System, including franchisees. If we conduct System-wide advertising, it will be at our cost and expense (see “System Advertising” below). (Franchise Agreement – Section 6.7) However, most advertising will be conducted by you on a local basis, typically by local advertising agencies hired by you. Any advertising you propose to use, if not previously approved

or provided by us, must be submitted to us for our written approval before you may use it. We will notify you within seven days after our receipt of the proposed materials as to whether the materials have been approved. If we do not provide our specific approval within this timeframe, the materials are deemed not approved. Any advertising developed by or for you must include the terminology as we require. Any advertising materials you submit to us for our review will become our property and there will be no restriction on our use or dissemination of these materials. (Franchise Agreement – Section 8.2)

Advertising (Franchise Agreement – Section 8)

Grand Opening Advertising: You must conduct an advertising program to announce the opening of your Salon (see Item 7 for the amount you must spend). You must spend \$12,000 on your grand opening advertising campaign. If you purchased an existing salon you must spend the same \$12,000 for a re-grand opening of your salon. We will collect \$9,500 of this when you sign your Franchise Agreement, to conduct your grand opening advertising campaign on your behalf. You are permitted to spend the remaining \$2,500 as you see fit, but you must spend at least that amount during the six (6) months immediately following the Grand Opening of your Sharkey's Salon. We reserve the right to require you to give the advertising monies to us and we will conduct the grand opening advertising campaign on your behalf.. You must submit the advertising campaign proposal to us for our approval before you may place any advertising. Any promotional materials developed by or for you must include certain information and disclosures that we require. We reserve the right to require you to give the money to us for your grand opening advertising campaign and we will conduct the advertising campaign on your behalf.

Local Advertising: You must, throughout the term of the Franchise Agreement, conduct advertising for your Salon in your Territory. We must approve all advertising before you use it, as described above. We will offer you a list of pre-designed advertising pieces, such as newspaper ads, coupons and postcards at no charge to you. All advertisements must be completely factual and must conform to the highest standards of ethical advertising. You must pay for your own printing costs. You may use a printer of your own choice or you may use a printer recommended by us. Within 30 days of our request, you must provide us with an advertising expenditure report, including the information as we require, to show that you have complied with the local advertising requirements.

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible for local advertising placement. If feasible, you may do cooperative advertising with other Sharkey's Cuts For Kids franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, Instagram, LinkedIn, YouTube or any other social media and/or networking site without our prior written approval.

System Advertising: We may, at no charge to you, periodically conduct promotional campaigns on a national or regional basis to promote the services offered by Salons. You must participate in all promotional campaigns which we may establish for the region in which your business is located. These promotional campaigns may include setting of minimum or maximum prices for certain services and products.

We do anticipate establishing a centralized Advertising and/or Brand Fund for the creation and placement of advertising on a national or regional basis.

Cooperatives: There are presently no advertising councils or regional advertising cooperatives. If an advertising cooperative is formed by our franchisees and approved by us, you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that

amount to the advertising cooperative and the times agreed upon by the majority and abide by the cooperative's rules. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We will not have the power to require cooperatives to be formed, changed, dissolved or merged. All salons owned by us or our affiliate will not be members nor contribute to the cooperative.

Site Selection; Timeframe for Opening Salon (Franchise Agreement – Section 7.4)

The process for site selection is described above. We estimate that the length of time between signing the Franchise Agreement and the opening of your Salon will be approximately four to six months. The factors that affect this timeframe are the ability to obtain a lease, financing or building permits; construction time; zoning and local ordinances; weather conditions; shortages; and delayed delivery or installation of equipment, fixtures and signs. Your Salon must be opened and operating within one year of the date the Franchise Agreement is signed. If you fail to open your Salon within this year, we have the right to terminate the Franchise Agreement without providing you a refund of any portion of the Initial Franchise Fee.

Computer and Cash Register Requirements (Franchise Agreement – Section 7.10)

You must purchase, use, maintain and update computer systems and software programs that meet our specifications as they evolve over time and which in some cases may be available only from designated suppliers. As described in Item 5, your computerized point of sale system and required software is not included in the Initial Franchise Fee. We require you to maintain a high speed internet connection (such as T-1 line, DSL or cable modem). The point of sale system must include a cash drawer, credit card terminals, receipt printers, barcode scanners and the computer that runs software designed to keep track of sales. The POS System allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the Internet. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. We own all customer data stored in your customer management account. There are no contractual limitations on our access to your computer system. The cost of the computer system and software ranges from \$4,000 to \$5,000.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We have no obligation to maintain, repair, update or upgrade your computer and software. At your cost, you must provide on-going maintenance and repairs to your computer and software. You must upgrade your computer hardware and software as necessary to operate the most current version of the POS System or any replacements thereto.

We reserve the right to require you to maintain on-site hardware and software maintenance contracts. If we require this, we also reserve the right to specify the provider of on-site services or to approve of the provider you select.

You must maintain a dedicated e-mail address for your Salon, through our provider. We expect you to check your e-mail daily, as this is one of the methods by which we communicate with all of our franchisees.

Training (Franchise Agreement – Section 6.1)

We provide a training program for you and one additional person, for a maximum of two people. We will pay the travel and lodging for two trainees, maximum of \$1,500, but you must pay applicable

wages and other out-of-pocket expenses incurred by you and your trainee. If you wish to send additional trainees to our training program, it will be at your expense. You must complete our initial training program to our satisfaction. Initial training must be successfully completed 30 days before the salon opening. Franchisor has the option to provide this training virtually and therefore would not require any reimbursement if virtual training is completed.

We provide a Manager & Employee training program delivered virtually from our headquarters of your manager and any additional employee. This will be giving virtually 0-3 weeks prior to opening your Sharkey’s Cuts for Kids Salon. Your trainees must complete our Manager & Employee training program to our satisfaction. Manager & Employee training must be successfully completed withing 14 days before your salon opening.

Our initial training program & franchisee training program will be conducted at our headquarters in Westport, Connecticut or at another location we designate, which may include a franchised or affiliate-owned Salon or virtually. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement operating principals and general managers and other personnel needing training, the number of new Salons being opened and the timing of the scheduled openings of Salons. The initial training program will generally last approximately three days if attended in person or 2-3 day if completed virtually. The instructional material we use in our initial training & manager program includes our Manual, the computer system, and any other materials that we believe will be beneficial to our franchisees in the training process. We currently provide the following training programs:

**TRAINING PROGRAMS (2 IN TOTAL)
FRANCHISEE TRAINING**

| Subject | Hours of Classroom Training (in person or virtual) | Hours of On-the-Job Training | Location |
|--|--|------------------------------|------------------------------------|
| Computer Software | 6-8 | 0 | 3 rd Party |
| Hair Stylists & General Salon Practice | 6-8 | 0 | Westport, Connecticut or Virtually |
| Retail & Hiring & Business Plan | 3-4 | 0 | Westport, Connecticut or Virtually |
| Desk/reception | 2-3 | 0 | Westport, Connecticut or Virtually |
| Sales & Marketing | 2-4 | 0 | Westport, Connecticut or Virtually |

Manager Training

| Subject | Hours of Classroom Training (virtual only) | Hours of On-the-Job Training | Location |
|----------------|--|------------------------------|-----------|
| Sales and Hugs | 1 | 0 | Virtually |

| | | | |
|------------------------------------|---|---|-----------|
| Daily Store Operation - Opening | 1 | 0 | Virtually |
| Daily Store Operation - End of Day | 1 | 0 | Virtually |

. Our initial training program and Manager Training is overseen by Scott Sharkey or a Sharkey’s representative. Scott Sharkey has 20 years of experience in the field and with the franchisor. The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is from one year.

Franchisor may conduct training program virtually. The Initial training program given virtually will be conducted over a 2-3 day period. The Manager training program given virtually will be conducted over a 2-4 hour period.

We may, at our option, conduct an annual conference of franchisees, at which we may offer additional training, advice or discussions of other topics. If we choose to hold a conference, attendance at the conference will be mandatory. Our current fee for attending our annual conference is \$750-\$1,750 per person. All costs related to attendance, including travel, lodging, meals and wages for you or any employee you may send or bring with you, must be paid by you.

Confidential Operations Manual

The table of contents of our Confidential Operations Manual for our franchisees is attached to this Disclosure Document as Exhibit H. Our franchisee Operations Manual includes approximately 290 pages.

Item 12: TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate a Salon at a single location that you select within the Territory and that we approve. If you sign our Multi-Unit Addendum, we will designate the territory of each Sharkey’s Cuts for Kids location you develop in accordance with our then-current standards. Attachment 1 to the Franchise Agreement lists the specific street address of the accepted location. You must operate the Salon only at this accepted location and may not relocate the Salon without first obtaining our written consent and paying our applicable fee (see Item 6). You may not establish or operate another Salon unless you enter into a separate Franchise Agreement. The minimum territory will contain 10,000 kids within a five miles radius of the franchised location.

During the term of the Franchise Agreement, if you are in compliance with the Franchise Agreement, we will not establish a Salon or authorize any other person or entity to establish a Salon within the Territory. The Territory will be described in Attachment 1 to the Franchise Agreement. The size of this Territory will be mutually agreed upon by the parties as soon as practicable after a suitable location has been selected by you and approved by us. The factors that will be used to determine the size of your territory will be the type of area where you locate your business and the population that lives within driving distance of your selected location. In no event will the size of your Territory exceed a radius of five miles around your Salon.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We and any of our current or future affiliates may own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks and/or other operating systems, regardless of whether those businesses are the same, similar or different from the Salon, we and any of our current or future affiliates may also offer and sell and authorize others to offer and sell: (i) collateral products, including Sharkey's memorabilia or other products, under the Marks, at or from any location, and (ii) any products or services under the Marks at or through any Sharkey's Salon or other permanent, temporary or seasonal facility providing in whole or in part the products and services offered by a Salon in any Reserved Area (as defined below), and (iii) any products or services under our Marks or any other marks. A "Reserved Area" is defined in the Franchise Agreement as an airport or travel plaza, hospitals, schools, hotels, festivals, fairs and other mass gathering locations or events.

You may relocate your business for a legitimate business reason. Your relocation will be subject to a relocation fee, payable upon our approval of your request to relocate your business. Any relocation of your business will be subject to our approval, which may be granted or withheld, in our sole discretion. In addition, you must sign the form of franchise agreement that is being signed by new franchisees at the time of your relocation and will be subject to the terms of that franchise agreement except for the franchise term. If you do relocate, your existing business cannot be closed for more than 90 days. If we approve relocation of the salon, its new location must be within the designated Territory.

You may sell our products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to shop in your Salon. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our proprietary products to any business or other customer for resale.

Although we have not done so, we and our affiliates may sell products under the Proprietary Marks within and outside your Territory through any method of distribution other than a dedicated Sharkey's Salon, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any proprietary products or other products offered by a Sharkey's Salon calling for delivery or performance in your Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

Except for the Salons operated by our affiliates, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Salons which sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Item 13: TRADEMARKS

The Franchise Agreement permits you to use the Proprietary Marks only for the purposes and upon the terms and conditions set forth in the Franchise Agreement. Our Predecessor registered the following Proprietary Marks with the U.S. Patent and Trademark Office (“USPTO”):

| Mark | Registration Number | Registration Date | Register |
|---|----------------------------|--------------------------|-----------------|
| Sharkey’s Cuts for Kids | 2842656 | May 18, 2004 | Principal |
|  | 2894629 | October 19, 2004 | Principal |
|  | 4576920 | July 20, 2014 | Principal |
|  | 6406552 | July 6, 2021 | Principal |

Our Predecessor has filed all required affidavits that have become due as of the Issuance Date of this Disclosure Document. Our Predecessor's registration with respect to the character mark "Sharkey's Cuts for Kids" (U.S. Reg. No. 2842656) was renewed on May 16, 2014. Our Predecessor's registration with respect to the design mark "Sharkey's Cuts for Kids" (U.S. Reg. No. 2894629) was renewed on October 22, 2014. Otherwise, no other registrations have been required to be renewed as of the Issuance Date of this Disclosure Document

The following Proprietary Marks are registered internationally:

| Mark | Registration Number | Registration Date |
|-------------------------------------|----------------------------|--------------------------|
| Sharkey’s Cuts for Kids | 005513056, 005512983 | November 12, 2007 |
| Sharkey’s Cuts for Kids (Canada) | TMA718138, TMA718185 | July 9, 2009 |

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Mark or other Marks. Predecessor and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Mark or other Marks. Predecessor and we have the right to control any administrative proceedings or litigation involving the Principal Mark or other Mark licensed by us to you. You must cooperate fully with Predecessor and us in defending and/or settling the litigation.

We reserve the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may

require you, at your expense, to modify or stop using any Mark, including the Principal Mark, or to use one or more additional or substitute Marks.

You must not directly or indirectly contest Predecessor's right, or our right, to the Principal Mark or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Mark or other Marks.

There are no currently effective agreements that significantly limit Predecessor's or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

Item 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs and other written materials. We also claim copyrights and other proprietary rights in our Manual and website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, formulas, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; and any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the

Initial Term, any Successor Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Attachment 10).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

Item 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement requires that you personally supervise and manage the day-to-day operation of your Franchised Business. You may not appoint a non-owner manager of a Franchised Business location, unless you receive our prior written approval. Upon approval, your manager must successfully complete our Initial Training Program and all other training courses we require. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. If the franchisee is a business entity, your manager is not required to have an equity interest in the franchisee entity but must otherwise meet our approval.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Attachment 5. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 3.

Item 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your franchised business is limited by the Franchise Agreement to the operation of a Salon. You may only offer inventory items and services designated by us, and you must offer the full range of services and required inventory authorized by us (see Item 8). Hair and beauty products bearing our Marks are proprietary and must be purchased only from us or sources designated by us because they are associated directly with our Marks and the System.

We may, in our sole and absolute discretion, add additional authorized services or inventory items or require you to change the required inventory items and services that you offer in your Salon. There are no limits on our right to do so, and in this case you must, at your expense, make those changes in the timeframe designated by us.

No other business or activity may be conducted or products or services offered at the Location. Your Salon may only be identified by the name “Sharkey’s Cuts for Kids,” or another of the licensed Marks designated in writing by us.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except for certain restrictions detailed in Item 12 relative to alternative methods of distribution, including the Internet.

Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|---|
| a. Length of franchise term | Section 3(a) | The term continues for 10 years from the date of the Franchise Agreement unless terminated earlier. |
| b. Renewal or extension of the term | Section 3(b) | If you are in good standing, and subject to contractual requirements, you may sign a Successor Agreement for an additional term of five years unless we have determined in our sole discretion, to withdraw from the geographical area where your Salon is located. |
| c. Requirements for franchisee to renew or extend | Section 3(c)(i) - (ix) | <p>You must give us written notice not less than 90 days, nor more than 180 days before the expiration of the then-current term; repair and update the Salon premises; not be in breach of any agreement with us or our affiliates; have the right to remain in possession of Salon premises; sign the then-current franchise agreement and a general release; comply with current qualification and training requirements; and pay the Successor Agreement fee.</p> <p>The term “Successor Term” means to continue your rights granted under the Franchise Agreement to operate the franchised business for an additional consecutive term.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees upon entering into a Successor Agreement will not be greater than the fees that we then impose on similarly situated renewing franchisees</p> |

| Provision | Section in Franchise Agreement | Summary |
|--|--------------------------------|--|
| d. Termination by franchisee | None | You may seek termination upon any grounds available by state law |
| e. Termination by franchisor without cause | Not applicable | The Franchise Agreement will terminate upon your death or permanent disability and the Franchised Business must be transferred within three months to a replacement franchisee that we approve. |
| f. Termination by franchisor with “cause” | Sections 5(b), 15(a)-(b) | Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination; we also have the right but not the obligation to cancel the Franchise Agreement in certain circumstances. |
| g. “Cause” defined – curable defaults | Section 15(b) | Good cause is a material breach of the Franchise Agreement or any other Franchise Agreement you have entered into with us. Good cause also includes: your failure to comply with the System; your failure to make when due any payment pursuant to any Franchise Agreement, other contract or other obligation payable by you to us; your failure to pay suppliers, landlord, bank or other creditors; your understatement of Gross Sales; and your failure to cure breaches of the Franchise Agreement. You have seven days to cure for non-payment of sums due and 30 days in all other cases (except as described in “h.” below). |

| Provision | Section in Franchise Agreement | Summary |
|--|--------------------------------|--|
| h. “Cause” defined – non-curable defaults | Section 15(a) | We may terminate you immediately if you fail to open the Salon within one year after the Franchise Agreement is signed; impair or threaten to impair the Marks or the System; become insolvent; make an assignment for benefit of creditors; are convicted of an offense; sell unauthorized products or services; abandon or lose right to the Salon premises; are convicted of a felony or other crime that may have an adverse affect on the System or Marks; sell unauthorized products or services; are a danger to public health or safety; transfer any interest without our consent or maintain false books or records; or if your or your owners’ assets are blocked under any anti-terrorism law. |
| i. Franchisee’s obligations on termination/non-renewal | Sections 16 and 17 | Upon termination or if your decide not to enter into a Successor Agreement, you must cease operating the Salon and using the Marks and System; completely de-identify the business; pay all amounts due to us; return Manual and other proprietary materials; comply with confidentiality and non-competition requirements; transfer your domain name back to us; and at our option, sell or assign to us your rights in the Salon premises and the equipment and fixtures used in the business. |
| j. Assignment of contract by Franchisor | Section 13(a) | We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction, provided that the assignee agrees in writing to assume all obligations undertaken by us in the Franchise Agreement. |
| k. “Transfer” by franchisee – defined | Section 12(a) | A transfer includes assignment, transfer, sale, gift or other disposition of any interest in the Franchise Agreement, the Salon, the assets or a substantial portion of the assets of the Salon, or the franchise entity. |
| l. Franchisor approval of transfer by franchisee | Section 13(d) | You must obtain our consent before transferring any interest. |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| m. Conditions for franchisor approval of transfer | Section 13(d)-(f) | We may require the following conditions for our approval of the transfer: you must pay all amounts due us or our affiliates; not otherwise be in default; sign a general release and pay a transfer fee. Transferee must meet our criteria, attend training and sign the then-current Franchise Agreement. |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 12 | Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions. |
| o. Franchisor's option to purchase franchisee's business | Sections 12, 16, and 17 | Other than assets on termination, or when you elect to not enter into a Successor Agreement or our right of first refusal, we have no right or obligation to purchase your business. |
| p. Death or disability of franchisee | Section 13(i) | The Franchise Agreement will terminate upon your death or permanent disability and the Franchised Business must be transferred within three months to a replacement franchise we approve. |
| q. Non-competition covenants during the term of the franchise | Section 7(n) | You are prohibited from operating or having an interest in a similar business during the term of the Franchise Agreement. Violation of this covenant may result in your payment of liquidated damages to us (see Item 6). |
| r. Non-competition covenants after the franchise is terminated or expires | Section 7(n) | You and your Controlling Principals are prohibited from operating or having an interest in a similar business for three years after the expiration, termination or assignment of the Franchise Agreement within 50 miles of any Salon in the System. |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|---|
| s. Modification of the agreement | Section 18(b) | If you sign another Sharkey’s franchise agreement after the date of your original Franchise Agreement, the terms of the subsequent agreement and any previously signed franchise agreements (and/or the documents signed in connection with this agreement and any previously signed franchise agreement) (as the original Franchise Agreement and any previously signed franchise agreement, and/or other documents may be or have been amended) will be automatically amended to be identical to the terms of the subsequent franchise agreement (and/or the documents signed in connection with that subsequent franchise agreement), except that the term of the franchise will be the period remaining under the original Franchise Agreement (or previously signed franchise agreements, as the case may be); we may occasionally change the amount of fees charged under certain circumstances; we may occasionally issue rules, regulations, instructions, policies and procedures without your consent |
| t. Integration/merger clause | Section 18(b) | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to State law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. Dispute resolution by arbitration or mediation | Sections 14(e) and (f) | Except for certain claims (subject to state law), all disputes must be arbitrated in Hartford, Connecticut. |
| v. Choice of forum | Section 14 (d) and (g) | Subject to applicable state law, litigation must be commenced in the state and federal courts in Connecticut |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| w. Choice of Law | Section 14(a) | Subject to applicable state law, Connecticut law applies |
| x. Multi-Unit Addendum (Where Applicable) | Attachment 7 | If you sign the multi-unit addendum, (a) you will be required to pay a portion of the initial franchise fee upon execution of the franchise agreement, and a portion of the initial franchise fee when you sign the lease for your second and subsequent Sharkey’s Cuts for Kids location(s); (b) you must establish and commence each unit within 12 months of establishing the prior unit; and (c) if you fail to meet the development schedule, we may terminate your rights to establish remaining unopened units. |

Item 18: PUBLIC FIGURES

We do not use any public figure 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 considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This item contains a historic financial performance representation based on our existing franchised outlets in 2021 and 2022. Tables 1-4 below present information about the Gross Revenue of 91 of 91 Sharkey’s Cuts for Kids franchised outlets open and operating for at least a full twelve months as of December 31, 2022, for which we have data. Data from locations in operation for less than 12 months as of December 31, 2022 has been excluded, as well as locations that closed or terminated or vacated during the 2022 fiscal year and locations for which we do not have reliable data. For data to be considered not reliable for this financial performance representation these excluded outlets presented data in format and/or via a system that is not uniform with most Sharkey’s Cuts for Kids outlets. At the time of this financial performance representation, the total outlets excluded due to having unreliable data is 2. As of December 31, 2022, there were 28 locations that had not been open for 12 months. Except where noted, these figures are taken directly from each location’s POS system.

Table 1

| |
|---|
| First Tier of Sharkey's Locations Based on Gross Revenue |
|---|

| <u>Location</u> | <u>Total Revenue 2021</u> | <u>Total Revenue 2022</u> | |
|------------------------------|-------------------------------|-------------------------------|--|
| 1 | \$535,350 | \$634,000 | |
| 2 | \$423,215 | \$585,000 | |
| 3 | \$390,505 | \$525,000 | |
| 4 | \$361,064 | \$459,000 | |
| 5 | \$343,619 | \$453,000 | |
| 6 | \$327,918 | \$416,927 | |
| 7 | \$327,478 | \$391,798 | |
| 8 | \$324,029 | \$385,558 | |
| 9 | \$315,173 | \$385,000 | |
| 10 | \$315,171 | \$374,000 | |
| 11 | \$305,642 | \$373,000 | |
| 12 | \$297,994 | \$367,000 | |
| 13 | \$294,192 | \$355,000 | |
| 14 | \$293,241 | \$353,000 | |
| 15 | \$291,574 | \$352,000 | |
| 16 | \$291,225 | \$342,000 | |
| 17 | \$289,298 | \$341,000 | |
| 18 | \$281,186 | \$337,716 | |
| 19 | \$273,344 | \$336,000 | |
| 20 | \$263,356 | \$332,000 | |
| 21 | \$238,908 | \$331,105 | |
| 22 | \$258,988 | \$322,200 | |
| 23 | \$249,615 | \$320,479 | |
| | | | <u>Percentage of Growth</u> |
| Average of First Tier | \$317,047 | \$394,425 | 19.6% |
| Median of First Tier | \$297,994 | \$367,000 | 18.8% |

Table 2

| Second Tier of Sharkey's Locations Based on Gross Revenue | | | |
|--|-------------------------------|-------------------------------|--|
| <u>Location</u> | <u>Total Revenue 2021</u> | <u>Total Revenue 2022</u> | |
| 24 | \$249,615 | \$320,797 | |
| 25 | \$248,977 | \$313,274 | |
| 26 | \$247,987 | \$308,042 | |
| 27 | \$232,798 | \$308,042 | |
| 28 | \$228,413 | \$304,979 | |
| 29 | \$225,692 | \$304,979 | |
| 30 | \$224,934 | \$304,939 | |
| 31 | \$223,603 | \$301,729 | |

| | | | |
|-------------------------------|------------------|------------------|------------------------------------|
| 32 | \$221,168 | \$292,941 | |
| 33 | \$220,763 | \$286,578 | |
| 34 | \$220,123 | \$277,215 | |
| 35 | \$218,068 | \$272,589 | |
| 36 | \$215,050 | \$268,927 | |
| 37 | \$212,814 | \$264,000 | |
| 38 | \$204,618 | \$261,896 | |
| 39 | \$200,454 | \$261,482 | |
| 40 | \$200,012 | \$257,863 | |
| 41 | \$198,529 | \$251,667 | |
| 42 | \$189,065 | \$250,533 | |
| 43 | \$186,133 | \$250,353 | |
| 44 | \$184,859 | \$250,235 | |
| 45 | \$184,359 | \$250,000 | |
| 46 | \$179,624 | \$249,890 | |
| | | | <u>Percentage of Growth</u> |
| Average of Second Tier | \$213,811 | \$278,824 | 23.3% |
| Median of Second Tier | \$218,068 | \$272,589 | 20.0% |

Table 3

| Third Tier of Sharkey's Locations Based on Gross Revenue | | | |
|---|----------------------------------|----------------------------------|--|
| <u>Location</u> | <u>Total Revenue 2021</u> | <u>Total Revenue 2022</u> | |
| 47 | \$178,963 | \$248,292 | |
| 48 | \$176,235 | \$246,482 | |
| 49 | \$175,627 | \$261,896 | |
| 50 | \$173,016 | \$260,837 | |
| 51 | \$172,580 | \$247,900 | |
| 52 | \$170,365 | \$242,578 | |
| 53 | \$170,156 | \$241,936 | |
| 54 | \$159,653 | \$239,669 | |
| 55 | \$159,536 | \$235,934 | |
| 56 | \$156,351 | \$235,898 | |
| 57 | \$153,119 | \$231,842 | |
| 58 | \$149,165 | \$230,483 | |
| 59 | \$147,937 | \$225,882 | |
| 60 | \$143,938 | \$221,821 | |
| 61 | \$137,189 | \$219,000 | |
| 62 | \$137,104 | \$215,173 | |
| 63 | \$134,250 | \$213,883 | |

| | | | |
|------------------------------|------------------|------------------|------------------------------------|
| 64 | \$122,657 | \$209,402 | |
| 65 | \$122,417 | \$206,042 | |
| 66 | \$116,820 | \$203,738 | |
| 67 | \$111,820 | \$203,535 | |
| 68 | \$109,892 | \$199,687 | |
| 69 | \$62,755 | \$197,648 | |
| | | | <u>Percentage of Growth</u> |
| Average of Third Tier | \$145,285 | \$227,807 | 36.2% |
| Median of Third Tier | \$149,165 | \$230,483 | 35.2% |

Table 4

| Fourth Tier of Sharkey's Locations Based on Gross Revenue | | | |
|--|--------------------------------------|--------------------------------------|------------------------------------|
| Location | Total Revenue <u>2021</u> | Total Revenue <u>2022</u> | |
| 70 | \$153,119 | \$193,750 | |
| 71 | \$75,000 | \$192,469 | |
| 72 | \$180,645 | \$188,006 | |
| 73 | \$5,750 | \$185,727 | |
| 74 | \$20,593 | \$183,253 | |
| 75 | \$122,417 | \$179,492 | |
| 76 | \$220,763 | \$175,700 | |
| 77 | \$75,355 | \$163,634 | |
| 78 | \$62,668 | \$163,281 | |
| 79 | \$137,104 | \$162,358 | |
| 80 | \$34,129 | \$161,043 | |
| 81 | \$122,657 | \$155,036 | |
| 82 | \$3,032 | \$148,382 | |
| 83 | \$12,910 | \$147,059 | |
| 84 | \$109,892 | \$140,064 | |
| 85 | \$62,755 | \$130,038 | |
| 86 | \$64,408 | \$129,452 | |
| 87 | \$22,623 | \$126,551 | |
| 88 | \$110,956 | \$125,024 | |
| 89 | \$125,393 | \$124,491 | |
| 90 | \$19,141 | \$122,616 | |
| 91 | \$147,937 | \$112,162 | |
| | | | <u>Percentage of Growth</u> |
| Average of Forth Tier | \$85,875 | \$154,981 | 44.5% |
| Median of Forth Tier | \$78,393 | \$158,040 | 50.3% |

Table 5

| System-Wide Gross Revenue | | |
|----------------------------------|---------------------------|-----------------------------|
| Total Revenue 2021 | Total Revenue 2022 | Percentage of Growth |
| \$16,436,221 | \$27,423,335 | 40% |

1. Gross Revenues means all revenue from sales at or from outlet operations, less (i) receipts from sales of alcohol or refreshments; (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) and (iv) properly documented employee discounts (limited to 3% of Gross Revenue).
2. The figures in the above tables have not been audited.
3. System-wide means all stores within this Sharkey's Cuts for Kids Franchises System. This includes the Corporate outlet in Connecticut and all franchised outlets that were able to provide reliable financial information.

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

Written substantiation for the financial performance representation will be made available to the prospective franchisee 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 Scott Sharkey at 37 Highland Road, Westport, Connecticut 06880 and (203) 637-8911, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1*
Systemwide Outlet Summary
For years 2020, 2021, 2022

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|--------------------|-------------|---|---------------------------------------|-------------------|
| Franchised | 2020 | 66 | 69 | +3 |
| | 2021 | 69 | 93 | +24 |
| | 2022 | 93 | 121 | +28 |
| Company-Owned | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| | 2022 | 1 | 1 | 0 |
| Total Outlets | 2020 | 67 | 70 | +3 |
| | 2021 | 70 | 94 | +24 |
| | 2022 | 94 | 122 | +28 |

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020, 2021, 2022

| State | Year | Number of Transfers |
|--------------|------|---------------------|
| Florida | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 0 |
| Kentucky | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 1 |
| Louisiana | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 2 |
| New Jersey | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 0 |
| Oklahoma | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 1 |
| Texas | 2020 | 3 |
| | 2021 | 2 |
| | 2022 | 5 |
| Virginia | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| Total | 2020 | 5 |
| | 2021 | 4 |
| | 2022 | 10 |

Table No. 3
Status of Franchised Outlets – Standard Franchises
For years 2020, 2021, 2022

| 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 |
|---------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| Alabama | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| 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 |
|------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| Arizona | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| California | 2020 | 9 | 1 | 0 | 0 | 0 | 0 | 10 |
| | 2021 | 10 | 0 | 0 | 0 | 0 | 0 | 10 |
| | 2022 | 10 | 1 | 0 | 0 | 0 | 0 | 11 |
| Colorado | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Florida | 2020 | 7 | 2 | 0 | 0 | 0 | 0 | 9 |
| | 2021 | 9 | 2 | 0 | 0 | 0 | 1 | 10 |
| | 2022 | 10 | 5 | 0 | 0 | 0 | 0 | 15 |
| Georgia | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Indiana | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Kentucky | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Louisiana | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Maryland | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Minnesota | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nebraska | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| 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 |
|----------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nevada | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| New Jersey | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| New Mexico | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2020 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| North Carolina | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 1 | 1 | 0 | 0 | 0 | 5 |
| Ohio | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 3 | 0 | 0 | 0 | 0 | 6 |
| Oklahoma | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Pennsylvania | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| Rhode Island | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Tennessee | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| 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 |
|----------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas | 2020 | 21 | 1 | 0 | 0 | 0 | 1 | 21 |
| | 2021 | 21 | 3 | 0 | 0 | 0 | 0 | 24 |
| | 2022 | 24 | 7 | 0 | 0 | 0 | 0 | 31 |
| Utah | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Virginia | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 3 | 0 | 0 | 0 | 0 | 7 |
| Washington | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Canada | 2020 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Israel | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| United Kingdom | 2020 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2020 | 66 | 7 | 0 | 0 | 0 | 4 | 69 |
| | 2021 | 69 | 25 | 0 | 0 | 0 | 1 | 93 |
| | 2022 | 93 | 29 | 1 | 0 | 0 | 0 | 121 |

Table No. 4
Status of Company-Owned Outlets
For years 2020, 2021, 2022

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|-------------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| Connecticut | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|--------------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |

Table No. 5
Projected Openings as of December 31, 2021

| State | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets Sold in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|----------------|---|---|---|
| Alabama | 2 | 2 | 0 |
| Arizona | 4 | 1 | 0 |
| California | 15 | 3 | 0 |
| Colorado | 2 | 1 | 0 |
| Connecticut | 2 | 1 | 0 |
| Florida | 8 | 2 | 0 |
| Georgia | 2 | 4 | 0 |
| Illinois | 0 | 8 | 0 |
| Indiana | 5 | 1 | 0 |
| Kentucky | 3 | 0 | 0 |
| Louisiana | 1 | 1 | 0 |
| Maryland | 4 | 2 | 0 |
| Massachusetts | 2 | 8 | 0 |
| Michigan | 2 | 2 | 0 |
| Minnesota | 2 | 4 | 0 |
| Missouri | 4 | 2 | 0 |
| New Jersey | 3 | 1 | 0 |
| New Mexico | 0 | 1 | 0 |
| New York | 8 | 5 | 0 |
| North Carolina | 1 | 2 | 0 |
| Ohio | 7 | 3 | 0 |

| State | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets Sold in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|----------------|---|---|---|
| Oklahoma | 1 | 0 | 0 |
| Oregon | 0 | 4 | 0 |
| Pennsylvania | 3 | 2 | 0 |
| South Carolina | 3 | 1 | 0 |
| Texas | 23 | 2 | 0 |
| Utah | 5 | 1 | 0 |
| Virginia | 11 | 1 | 0 |
| Rhode Island | 2 | 2 | 0 |
| Total | 125 | 67 | 0 |

* Additional Franchise agreements have been signed and opened under the Predecessor Sharkey's Franchising Co. in the year 2014

A list of the names of all franchisees and the addresses and telephone numbers of their businesses are provided in Exhibit J to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit I to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Sharkey's System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Sharkey's System.

Item 21: FINANCIAL STATEMENTS

Our audited financial statements for years ending December 31, 2022, December 31, 2021, and December 31, 2020, and related notes to the audited financial statements, are included as Exhibit A.

Our fiscal year end is December 31.

Item 22: CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their exhibits:

| | |
|---------------------------------|-----------|
| Franchise Application | Exhibit B |
| Franchise Agreement | Exhibit C |
| Personal Guaranty of Principals | Exhibit D |
| Form of General Release | Exhibit E |
| Form of Restrictive Covenant | Exhibit K |

Item 23: RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document are attached to this Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

**SHARKEY'S CUTS FOR KIDS
INTERNATIONAL CO., LLC**

FINANCIAL REPORT
AS OF DECEMBER 31, 2022 and 2021



SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC

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Independent Auditor's Report

To the Member
Sharkey's Cuts for Kids International Co., LLC
Westport, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sharkey's Cuts for Kids International Co., LLC which comprise the balance sheets as of December 31, 2022, and 2021 and the related statements of operations, changes in member's (deficit) and cash flows for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Sharkey's Cuts for Kids International Co., LLC as of December 31, 2022, and 2021 and the results of its operations and its cash flows for the years ended December 31, 2022, 2021 and 2020 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 Sharkey's Cuts for Kids International Co., LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sharkey's Cuts for Kids International Co., LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharkey's Cuts for Kids International Co., LLC'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.

Reese CPA LLC

Ft. Collins, Colorado
April 10, 2023

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
BALANCE SHEETS

| | AS OF DECEMBER 31, | |
|---|---------------------------|-------------------------|
| | 2022 | 2021 |
| ASSETS: | | |
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 794,254 | \$ 109,116 |
| Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively | 2,656,051 | 2,145,825 |
| Franchise acquisition costs, current portion | 263,242 | 291,352 |
| TOTAL CURRENT ASSETS | 3,713,547 | 2,546,293 |
| FRANCHISE ACQUISITION COST, LONG-TERM | 1,623,697 | 1,824,397 |
| TOTAL ASSETS | \$ 5,337,244 | \$ 4,370,690 |
| LIABILITIES AND MEMBER'S (DEFICIT): | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 21,745 | \$ 10,016 |
| Notes payable | 118,668 | 142,107 |
| Current portion non-refundable deferred franchise fees | 799,694 | 662,138 |
| TOTAL CURRENT LIABILITIES | 940,107 | 814,261 |
| LONG-TERM LIABILITIES | | |
| Non-refundable deferred franchise fees, net of current portion | 10,291,043 | 10,443,331 |
| TOTAL LIABILITIES | 11,231,150 | 11,257,592 |
| MEMBER'S (DEFICIT) | | |
| Member's (deficit) | (4,885,168) | (5,715,335) |
| Advances to related parties | (1,008,738) | (1,171,567) |
| TOTAL MEMBER'S (DEFICIT) | (5,893,906) | (6,886,902) |
| TOTAL LIABILITIES AND MEMBER'S (DEFICIT) | \$ 5,337,244 | \$ 4,370,690 |

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

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
STATEMENTS OF OPERATIONS AND MEMBER'S (DEFICIT)

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|--|---|-----------------------|-----------------------|
| | 2022 | 2021 | 2020 |
| REVENUES | | | |
| Franchise fees | \$ 5,125,156 | \$ 2,370,107 | \$ 1,058,574 |
| Royalty fees | 1,467,649 | 1,072,044 | 597,684 |
| Other revenue | 848,510 | 541,618 | 215,605 |
| TOTAL REVENUES | 7,441,315 | 3,983,769 | 1,871,863 |
| COST OF GOODS AND SERVICES SOLD | 2,090,224 | 1,270,817 | 778,113 |
| GROSS PROFIT | 5,351,091 | 2,712,952 | 1,093,750 |
| OPERATING EXPENSES | | | |
| General and administrative | 822,857 | 728,819 | 504,952 |
| Payroll and related costs | 704,518 | 439,849 | 588,593 |
| Advertising and promotion | 279,676 | 279,542 | 161,186 |
| Professional fees | 96,593 | 96,356 | 79,828 |
| TOTAL OPERATING EXPENSES | 1,903,644 | 1,544,566 | 1,334,559 |
| OPERATING INCOME (LOSS) | 3,447,447 | 1,168,386 | (240,809) |
| OTHER INCOME (EXPENSE) | | | |
| Interest expense | (45,814) | (31,602) | (17,891) |
| TOTAL OTHER INCOME (EXPENSE) | (45,814) | (31,602) | (17,891) |
| NET INCOME (LOSS) | 3,401,633 | 1,136,784 | (258,700) |
| MEMBER'S (DEFICIT), BEGINNING | (5,715,335) | (3,866,932) | (1,696,946) |
| Member distributions | (2,571,466) | (2,985,187) | (1,911,286) |
| MEMBER'S (DEFICIT), ENDING | \$ (4,885,168) | \$ (5,715,335) | \$ (3,866,932) |

The accompanying notes are an integral part of these financial statements

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
STATEMENTS OF CASH FLOWS

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|--------------------------|--------------------------|
| | 2022 | 2021 | 2020 |
| | <u> </u> | <u> </u> | <u> </u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (loss) | \$ 3,401,633 | \$ 1,136,784 | \$ (258,700) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | | |
| Adoption of new revenue recognition standard | - | - | - |
| Recognition of non-refundable deferred franchise fees | (5,127,803) | (2,590,188) | (1,043,579) |
| Recognition of franchise acquisition costs | 798,810 | 296,670 | 315,158 |
| Change in assets and liabilities | | | |
| Accounts receivable | (510,226) | 21,355 | (407,745) |
| Franchise acquisition costs | (570,000) | (259,237) | (684,500) |
| Accounts payable and accrued expense | 11,459 | (13,605) | (175,316) |
| Non-refundable deferred franchise fees | 5,113,071 | 4,277,625 | 3,944,267 |
| Net cash provided (used) by operating activities | <u>3,116,944</u> | <u>2,869,404</u> | <u>1,689,585</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| | - | - | - |
| Net cash (used) by investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from lines of credit | 140,000 | 423,000 | 250,000 |
| Repayment of line of credit | (163,439) | (369,042) | (231,849) |
| Due from member | - | - | 157,241 |
| Due from affiliates | 163,099 | (207,371) | 337,402 |
| Distributions to member | (2,571,466) | (2,985,187) | (1,911,286) |
| Net cash provided (used) by financing activities | <u>(2,431,806)</u> | <u>(3,138,600)</u> | <u>(1,398,492)</u> |
| NET INCREASE (DECREASE) IN CASH | 685,138 | (269,196) | 291,093 |
| CASH, BEGINNING OF YEAR | <u>109,116</u> | <u>378,312</u> | <u>87,219</u> |
| CASH, END OF YEAR | <u><u>\$ 794,254</u></u> | <u><u>\$ 109,116</u></u> | <u><u>\$ 378,312</u></u> |
| SUPPLEMENTAL DISCLOSURES | | | |
| Cash paid for interest | \$ 45,814 | \$ 31,602 | \$ 17,891 |
| Cash paid for taxes | \$ - | \$ - | \$ - |

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

SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sharkey’s Cuts for Kids International Co., LLC (“Company”) is a Connecticut limited liability company with its home office in Westport, Connecticut. The Company was formed on April 30, 2013 (Inception).

The Company offers franchises for the right to operate a hair salon furnished and designed to attract children and families which offers its services to children of all ages and adults, a full-service family Salon under the name “Sharkey’s Cuts for Kids” to be operated within a certain geographic area.

Affiliate

The Company’s affiliate Sharkey’s Franchise Offering Co., LLC, a Connecticut limited liability company was formed on April 2, 2013 (“Affiliate”) offers franchises for Sharkey’s Hair IT IS since May 2013 under a separate Franchise Disclosure Document. Affiliate operates a hair salon designed to attract children and families, and which offers a full-service family salon under the name “Sharkey’s Hair It Is.”

Reporting Entity

The Company’s financial statements include the combined results of the Company and the Company’s predecessor Sharkey’s Franchising Co., LLC, a Connecticut limited liability company formed on July 8, 2003 (“Predecessor”). Predecessor offered franchises for Sharkey’s Cuts for Kids salons since July 2003 only in the states of California and Minnesota. Both the Company and Predecessor share common ownership.

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Location Information

Changes in the number of outlets for the years ended December 31, 2022, 2021 and 2020 consist of the following:

| | 2022 | 2021 | 2020 |
|---------------------------------|------------|-----------|-----------|
| Outlets in operation, beginning | 96 | 72 | 69 |
| Outlets opened | 28 | 25 | 7 |
| Outlets terminated or closed | (1) | (1) | (4) |
| Outlets in operation, ending | <u>123</u> | <u>96</u> | <u>72</u> |
| | | | |
| Franchised Outlets | 120 | 93 | 69 |
| Affiliate owned Outlets | 3 | 3 | 3 |

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Preparation of the Company's financial statements in accordance with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less at the date of purchase to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2022, and 2021.

Accounts Receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any allowance for uncollectible accounts at December 31, 2022, and 2021. Bad debt expense was \$348,744, \$371,381, and \$256,000 for the years ended December 31, 2022, 2021 and 2020, respectively. Amounts written off were \$348,744, \$371,381, and \$256,000 for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue Recognition, Non-refundable Deferred Franchise Fee Revenue and Franchise Acquisition Costs

The Company recognizes revenue using the guidance in FASB ASC Topic 606 "Contracts with Customers".

The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees. Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each performance obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition, Non-refundable Deferred Franchise Fee Revenue and Franchise Acquisition Costs (continued)

When a franchisee purchases a Sharkey's Cuts for Kids franchise, the Company grants the franchisee the right to operate a location in a designated territory and use the proprietary methods, techniques, trade dress, trademarks, and logos ("the license"). Revenues related to the territory and license rights are continuing royalties that vary from \$1,000 to \$1,500 per month as defined in the franchise agreement. These revenues are used to continue the development of the Company's brand, the franchise system and provide ongoing support for the Company's franchisees over the term of the agreement. The royalties are billed monthly and are recognized as revenue when earned.

Revenue from initial fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory and license. These primarily include training services, store location support, opening support services, equipment, inventory, signage, fixtures and supplies and franchisee acquisition and acceptance. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Performance obligations that are normally satisfied by the opening of the franchised business to the public are determined to be earned during the period from the execution of the contract to the opening of the franchised business which is generally less than one year. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred non-refundable revenue and recognized as revenue over the term of the contract which is currently 10 years from the date of the franchise agreement. Incremental costs of obtaining a franchise agreement with a franchisee related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as cost of sales over the same term as the related performance obligation which is currently 10 years.

Advertising

The Company expenses advertising costs as incurred. Advertising costs expensed were \$279,676, 279,542, and \$161,186 for the years ended December 31, 2022, 2021 and 2020, respectively.

Income Taxes

The Company has elected to be treated as a disregarded entity for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of its member and no provision for federal or state income taxes has been recorded in the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax periods ending December 31, 2022, 2021 and 2020 for U.S. Federal Income Tax and for the State of Connecticut Income Tax, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2022.

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and franchisee receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Fair Value of Financial Instruments

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

Recently issued accounting pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CONTRACTS WITH CUSTOMERS

The Company has recognized an asset for the incremental costs and recorded a liability for unearned revenue associated with franchisee acquisition and acceptance performance obligation of the Company's franchise agreement. The account balances and activity are as follows:

| | December 31, | |
|--|---------------|---------------|
| | 2022 | 2021 |
| Franchise Acquisition Costs: | | |
| Balance Beginning of year | \$ 2,115,749 | \$ 2,153,182 |
| Deferral of franchise acquisition costs | 570,000 | 259,237 |
| Recognition of franchise acquisition costs | (798,810) | (296,670) |
| Balance at End of Year | \$ 1,886,939 | \$ 2,115,749 |
| Deferred Non-refundable Franchise Fees: | | |
| Balance Beginning of year | \$ 11,105,469 | \$ 9,418,032 |
| Deferral of non-refundable franchise fees | 5,113,071 | 4,277,625 |
| Recognition of non-refundable franchise fees | (5,127,803) | (2,590,188) |
| Balance at End of Year | \$ 11,090,737 | \$ 11,105,469 |

Non-refundable deferred franchise fees allocated to performance obligations related to equipment, inventory, signage, fixtures, and supplies totaled \$4,636,810, and \$5,731,818 at December 31, 2022, and 2021, respectively. These revenues will be recognized as earned upon the satisfaction of the related performance obligations by the Company.

Estimated Recognition of Non-refundable Deferred Franchise Fees and Franchise Acquisition Costs

Estimated revenues and franchise acquisition costs to be recognized in future periods related to non-refundable deferred franchise fees as reported at December 31, 2022, is as follows:

| | Franchise Acquisition Costs | Non-refundable Franchise Fees |
|--------------------------|--------------------------------|----------------------------------|
| Year ending December 31: | | |
| 2023 | \$ 263,242 | \$ 796,964 |
| 2024 | 263,242 | 799,694 |
| 2025 | 263,242 | 799,694 |
| 2026 | 261,480 | 797,536 |
| 2027 | 258,016 | 790,753 |
| Thereafter | 577,717 | 2,449,286 |
| | \$ 1,886,939 | \$ 6,433,927 |

SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company’s contracts with franchisees for the years December 31, 2022, 2021 and 2020, is as follows:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|---------------------|
| Performance obligations satisfied at a point in time | \$ 5,857,520 | \$ 3,118,331 | \$ 1,428,234 |
| Performance obligations satisfied through the passage of time | <u>1,583,795</u> | <u>865,438</u> | <u>443,629</u> |
| Total revenues | <u>\$ 7,441,315</u> | <u>\$ 3,983,769</u> | <u>\$ 1,871,863</u> |

NOTE 3 – NOTES PAYABLE

The Company has entered into working capital borrowing agreements (“notes”) with an Internet bank. The total advances on the notes were \$140,000 and \$423,000 for the years ended December 31, 2022, and 2021, respectively. The interest rate on the notes varies between 5.6% and 12.2%. Minimum payments of \$7,933 are due every 90 days. The notes are short term notes and are expected to be paid off within 12 months from the funding of the loans or any renewals or roll over of the notes. Payments made on the loans were \$209,831 and \$369,042 for the years ended December 31, 2022, and 2021, respectively. The notes are collateralized by the Company’s “Business PayPal” Sale proceeds, which consist of recurring royalty and product revenues processed through PayPal. The balance owned on these revolving lines of credit at December 31, 2022, and 2021 was \$118,668 and \$142,107, respectively.

NOTE 4 – TRANSACTIONS WITH MEMBERS AND AFFILIATE

At various times, the Company advances funds to and receives funds for various business purposes from the Company’s affiliates who are commonly owned. *The Company has made certain advances to the Company’s member.*

Advances are not collateralized, noninterest bearing and due on demand. Net advances due from the related parties as of December 31, 2022, and 2021 were \$1,008,738 and \$1,171,567, respectively. The advances are reported as a component of members’ (deficit) in the accompany balance sheets as the net advances do not have stated repayment terms and the ownership of these related parties is the same ownership of the Company.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Litigation:

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through April 10, 2022, the date on which the financial statements were available to be issued.

EXHIBIT B TO THE DISCLOSURE DOCUMENT

APPLICATION FOR FRANCHISE

APPLICATION



**37 Highland Road
Westport, CT 06880**

Please print or type

Date ____/____/____

GENERAL INFORMATION

PRINCIPAL APPLICANT'S NAME _____

DATE OF BIRTH ____/____/____ SOCIAL SECURITY NUMBER _____

RESIDENCE ADDRESS _____

CITY _____ STATE _____

HOME PHONE () _____ BEST TIME TO REACH _____

HOW LONG AT PRESENT ADDRESS _____ OWN? _____ RENT? _____

PREVIOUS ADDRESSES (List for 10 years) _____

CURRENT EMPLOYER _____

POSITION _____ NATURE OF DUTIES _____

EMPLOYER'S ADDRESS _____

MAY WE CONTACT YOU AT WORK? _____

BUSINESS PHONE () _____ BEST TIME TO REACH _____

EDUCATION

HIGH SCHOOL _____ COLLEGE _____ DEGREE IN _____

ATTACH RESUME IF AVAILABLE

IF HUSBAND/ WIFE TEAM, IN WHAT POSITION AND CAPACITY WILL SPOUSE BE INVOLVED? _____

SPOUSE'S NAME _____

SPOUSE'S DATE OF BIRTH / ____/____ SPOUSE'S SOCIAL SECURITY NUMBER _____

SPOUSE'S RESIDENCE ADDRESS _____

SPOUSE'S HOME PHONE () _____ BEST TIME TO REACH _____

HOW LONG AT PRESENT ADDRESS? _____ OWN? _____ RENT? _____

SPOUSE'S PREVIOUS ADDRESSES (List for 10 years) _____

SPOUSE'S CURRENT EMPLOYER _____

POSITION _____ NATURE OF DUTIES _____

EMPLOYER'S ADDRESS _____

MAY WE CONTACT YOU AT WORK? _____

BUSINESS PHONE () _____ BEST TIME TO REACH _____

EDUCATION - SPOUSE

HIGH SCHOOL _____ COLLEGE _____ DEGREE IN _____

HOBBIES AND INTERESTS _____

ATTACH RESUME IF AVAILABLE

DEPENDENTS

NAMES AND AGES OF CHILDREN _____

OTHER DEPENDENTS? _____ RELATIONSHIPS AND AGES _____

WILL YOU HAVE A PARTNER OR OTHER PARTNERS OTHER THAN YOUR SPOUSE?

IF YES, WHAT WILL BE THEIR INVOLVEMENT? _____

PLEASE HAVE THEM FILL OUT A SEPARATE APPLICATION.

HAVE YOU OR YOUR SPOUSE BEEN CONVICTED OF ANY FELONY CHARGES? _____

DO YOU OR YOUR SPOUSE HAVE ANY FELONY CHARGES PENDING, BEING
APPEALED, OR ARE YOU UNDER INDICTMENT? _____

FINANCIAL INFORMATION

PRESENT ANNUAL INCOME _____

SPOUSE'S PRESENT ANNUAL INCOME _____

INTEREST AND DIVIDENDS _____

OTHER INCOME _____

TOTAL INCOME _____

ATTACH PREPARED FINANCIAL STATEMENT, IF AVAILABLE

YOUR BANK _____

BANK PHONE () _____ BANK OFFICER _____

CHECKING ACCOUNT NO. _____ SAVINGS ACCOUNT NO. _____

DO YOU OWN YOUR OWN HOME? _____

DO YOU OWN YOUR OWN BUSINESS? _____

HAVE YOU EVER FILED FOR PERSONAL OR BUSINESS BANKRUPTCY? _____

HAVE YOU EVER HAD ANYTHING REPOSSESSED? _____

HOW DO YOU PLAN TO PAY FOR THE INITIAL FRANCHISE FEE? _____

WHAT IS YOUR CUSTOMARY EARNINGS LEVEL? _____ SPOUSE'S? _____

ESTIMATED MINIMUM INCOME REQUIRED FOR YOUR CURRENT LIVING EXPENSES? _____

ASSETS

LIABILITIES

CASH IN CHECKING _____ NOTES PAYABLE TO BANKS _____

CASH IN SAVINGS _____ NOTES PAYABLE TO OTHERS _____

REAL ESTATE (HOME) _____ REAL ESTATE DEBT _____

OTHER REAL ESTATE _____ AUTOMOBILE DEBT _____

(DESCRIBE) _____

CASH SURRENDER OF LIFE INS. _____ OWING ON LIFE INSURANCE _____

STOCKS AND BONDS _____ TAXES PAYABLE _____

AUTOMOBILES _____ CHARGE ACCOUNT _____

YOUR OWN BUSINESS _____ OTHER LIABILITIES _____

APPRAISED COLLECTIBLES _____

MONEY DUE YOU _____

OTHER ASSETS (DESCRIBE) _____

TOTAL ASSETS \$ _____
LESS TOTAL LIABILITIES \$ _____
NET WORTH \$ _____

EXACT AMOUNT OF CAPITAL YOU HAVE FOR THIS FRANCHISE \$ _____

IF THE REQUIRED AMOUNT IS NOT AVAILABLE, HOW WOULD THE INVESTMENT BE OBTAINED? PLEASE EXPLAIN IN DETAIL.

HAVE YOU EVER BEEN A PRINCIPAL OWNER OF A BUSINESS BEFORE? _____

IF YES, BRIEFLY EXPLAIN _____

LEGAL FORMAT

() SOLE PROPRIETOR NAME _____

() CORPORATION NAME _____

() PARTNERSHIP NAME _____

() OTHER EXPLAIN _____

HAVE YOU EVER BEEN A PRINCIPAL OWNER OF A BUSINESS BEFORE? _____

IF YES, BRIEFLY EXPLAIN _____

HAVE YOU EVER BEEN GRANTED A FRANCHISE OR LICENSE BEFORE? _____

IF YES, BRIEFLY EXPLAIN _____

LOCATION

DO YOU HAVE A LOCATION IN MIND ALREADY? _____

IF SO, IN WHAT CITY AND, IF KNOWN, WITH ZIP CODE? _____

REFERENCES

I HEREBY AUTHORIZE SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC. TO CONTACT THE FOLLOWING REFERENCES AND OTHER SOURCES FOR INFORMATION ABOUT ME. I RELEASE SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC., ITS AFFILIATES, AGENTS AND EMPLOYEES FROM ANY LIABILITY ARISING EITHER FROM THE RECEIPT OR USE OF ANY INFORMATION OBTAINED THROUGH THESE SOURCES.

SIGNATURE _____ DATE _____

CREDIT REFERENCES.

BUSINESS REFERENCES

PERSONAL REFERENCES

1. NAME _____ NAME _____

ADDRESS _____ ADDRESS _____

CITY, STATE _____ CITY, STATE _____

PHONE _____ PHONE _____

2. NAME _____ NAME _____

ADDRESS _____ ADDRESS _____

CITY, STATE _____ CITY, STATE _____

PHONE _____ PHONE _____

3. NAME _____ NAME _____

ADDRESS _____ ADDRESS _____

CITY, STATE _____ CITY, STATE _____

PHONE _____ PHONE _____

SUCCESS INDICATORS

DO YOU OBJECT TO WORKING EVENINGS, WEEKENDS, HOLIDAYS AND VACATIONS?

DO YOU ENJOY AND GET ALONG WELL WITH ADULTS AND CHILDREN? _____

DO YOU HAVE A BACKGROUND IN SALES? _____

WILL YOU BE WILLING TO SHARE SOME OF YOUR BUSINESS EXPERIENCES OF YOUR FRANCHISE WITH OTHER SHARKEY'S FRANCHISEES? _____

ARE YOU WILLING TO FOLLOW A PLAN TO MAKE YOUR BUSINESS SUCCESSFUL?

IF WE WERE TO GO AHEAD, WHAT WOULD BE YOUR SCHEDULE FOR STARTING?

APPLICATION STATEMENT

IT IS UNDERSTOOD THAT THE PURPOSE OF THIS APPLICATION IS FOR INFORMATION ONLY, AND IS NO WAY BINDING UPON EITHER **SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC.** OR THE APPLICANT. THE INFORMATION I HAVE SUBMITTED WITHIN THIS APPLICATION IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

SIGNATURE OF APPLICANT _____ DATE _____

EXHIBIT C TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC

Franchisee

Date

- Sharkey's Cuts for Kids Franchise
 - Unit Franchise
 - 2-Pack Franchise
 - 3-Pack Franchise

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ATTACHMENTS

- Attachment 1: Territory
- Attachment 2: Guaranty
- Attachment 3: Option for Assignment of Lease
- Attachment 4: Promissory Note, Guaranty and Security Agreement
- Attachment 5: Multi-Unit Addendum
- Attachment 6: SBA Addendum

SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC

FRANCHISE AGREEMENT

This Franchise Agreement (this “Agreement”) is being entered into on this day _____ by and between Sharkey’s Cuts for Kids International Co., LLC, a Connecticut limited liability company having its principal place of business at 37 Highland Road, Westport, Connecticut 06880 (“Franchisor”), and _____, a(n) _____, with its principal place of business located at _____ and _____’s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be collectively referred to in this Agreement as the “Franchisee”.

W I T N E S S E T H:

WHEREAS, as the result of the expenditure of time, skill, effort and money, Franchisor has developed and owns a unique and distinctive system (the “System”) relating to the establishment and operation of hair cutting salons furnished and designed to attract children and adults (“Salons”) in accordance with the Franchisor’s standards and specifications;

WHEREAS, the distinguishing characteristics of the System include, without limitation, a distinctive exterior and interior design, décor, color scheme, furnishings and fixtures; distinctive products and services, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures, management and financial controls; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks “Sharkey’s Cuts for Kids,” “Sharkey’s Hair It Is” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the “Marks” or “Proprietary Marks”), which Marks are licensed to Franchisee hereunder;

WHEREAS, Franchisor continues to develop, use and control the use of the System and the Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance and service;

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications; and

WHEREAS, Franchisee desires to use the System in connection with the operation of a Sharkey’s Cuts for Kids salon, as well as to receive the training and other assistance provided by Franchisor in connection therewith.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. GRANT OF LICENSE

1.1 Grant

Franchisor grants to Franchisee, subject to the terms and conditions of this Agreement, the limited right and license to: (a) establish and operate one (1) Sharkey’s Cuts for Kids salon (the “Salon”) at the location described on Exhibit A to this Agreement (the “Location”); (b) use the Marks under the terms of this Agreement to identify and promote the Salon and the business conducted and the goods and services offered hereunder; and (c) use the System for the operation of the Salon at the Location. The Salon that Franchisee is purchasing pursuant to this Agreement is:

- A Sharkey’s Cuts for Kids Salon

1.2 Location

The rights granted to Franchisee in this Agreement are specifically restricted to the operation by Franchisee of a Salon at the Location identified in Exhibit A to this Agreement and shall be effective only with respect to the franchise located at this Location. No branches or second locations shall be permitted under this Agreement. Franchisee acknowledges and agrees that no representations or warranties have been made by Franchisor with respect to the grant of any other franchises or permission to operate the franchise from any additional or other location. Franchisee and its Controlling Principals (as defined in Section 18.1) have represented to Franchisor that they have entered this Agreement with the intention to comply fully with the obligations to construct a Salon hereunder and not for the purpose of reselling the rights to develop the Salon hereunder.

1.3 Territory

Upon the execution of this Agreement, Franchisee will be assigned a territory (the “Territory”) that will also be described in Exhibit A. Except as provided in this Agreement, and subject to Franchisee’s and the Controlling Principals’ full compliance with this Agreement and any other agreement among Franchisee (defined as any entity that is controlled by, controlling or under common control with such other entity) and Franchisor, Franchisor shall not establish or authorize any other person or entity, other than Franchisee, to establish a Sharkey’s Cuts for Kids Salon in the Territory during the term of this Agreement. Franchisee acknowledges and understands that the rights granted hereunder pertain only to the establishment of a Sharkey’s Cuts for Kids Salon. Franchisee acknowledges and agrees that (a) Franchisor or its principals currently operate, or may in the future operate, salons under the Marks, (b) other franchisees in the System currently operate, or may in the future operate, salons under the Marks, and (c) Franchisor’s affiliates currently operate, or may in the future operate, salons under different marks and with operating systems that are the same or similar to the System, and that any such salons might compete with Franchisee’s Salon. Franchisee further agrees and acknowledges that the license granted hereby is only for the operation of one (1) Sharkey’s Cuts for Kids Salon. Accordingly, in the Territory, Franchisor and any of its current or future affiliates may own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks and/or other operating systems, regardless of whether such businesses are the same, similar, or different from the Salon, Franchisor and any of its current or future affiliates may also offer and sell (and may authorize others to offer and sell): (i) collateral products under the Marks, at or from any location, such as Sharkey’s Cuts for Kids memorabilia or products; (ii) services under the Marks at or through any Sharkey’s Cuts for Kids Salon or other permanent, temporary or seasonal facility providing in whole or in part the services offered by a Franchisor Salon in a Reserved Area only (as defined below); and (iii) any products or services under the Marks or any other names and marks. A “Reserved Area” is defined as an airport, or travel plaza, hospitals, schools, hotels, festivals, fairs and other mass gathering locations or events.

1.4 Relocation

Franchisee may relocate the Salon for a legitimate business reason. The relocation of Franchisee's Salon will be subject to Franchisor's then-current relocation fee, payable upon Franchisor's approval of Franchisee's request to relocate the Salon. Any relocation of Franchisee's Salon will be subject to Franchisor's prior approval, which may be granted or withheld, in its sole discretion. In addition, Franchisee will be required to execute the form of Franchise Agreement that is being executed by new franchisees at the time of Franchisee's relocation and will be subject to the terms of that Franchise Agreement except for the franchise term. If Franchisee does relocate its Salon, Franchisee's existing Salon cannot be closed for more than ninety (90) days.

2. ACCEPTANCE BY FRANCHISEE

2.1 Acceptance

Franchisee accepts this Agreement and the license granted herein and undertakes the obligation to develop and operate the Salon in accordance with the System using the Marks in strict compliance with the terms and conditions specified herein. Franchisee may not directly or indirectly franchise, sub franchise, license or sublicense the rights granted to Franchisee in this Agreement.

2.2 Non-Exclusive License

Except as set forth herein, the franchise and licenses granted to Franchisee by this Agreement are non-exclusive and Franchisor shall have, at all times throughout the term of this Agreement and any renewals hereof, and at all places, the unqualified right to open and operate, or to franchise and license others to open and operate, businesses utilizing the System anywhere, except within Franchisee's Territory.

2.3 Limitations on Sale of Products or Services

This license does not include any right to provide any service at or from any location except from the Location. Use by Franchisee, directly or indirectly, of the System, the Proprietary Marks licensed hereunder, or the sale of any service at any location other than from the Location shall be a material breach of this Agreement and shall give Franchisor, in addition to all other rights and remedies hereunder, the right to terminate this Agreement. Franchisee shall not engage in any promotional activities or sell any approved products or services or similar products or services, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from clients or prospective clients located outside of the Territory. Franchisee may place advertisements in printed media and on television and radio that are targeted to clients and prospective clients located within the Territory, and Franchisee will not be deemed to be in violation of this Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective clients outside of the Territory. Franchisee may not make any sales or perform services to clients located outside of the Territory unless there is not another Salon, either franchised or company-owned, located in close proximity to Franchisee's Salon.

3. TERM

3.1 Initial Term

Unless sooner terminated as provided in Section 15 hereof, this Agreement shall continue for a term of ten (10) years from the Effective Date.

3.2 Renewal

Franchisee may, at its option, renew the rights licensed herein for an unlimited number of additional renewal terms of five (5) years each (provided that such renewal term shall automatically terminate upon the expiration or termination of Franchisee's right to possess the Salon premises), subject to the conditions for renewal set forth in Section 3.3. Unless renewed pursuant to Section 3.3, this Agreement and all rights licensed herein shall expire and revert to Franchisor upon the expiration of this Agreement.

3.3 Conditions to Renew

Upon the expiration of the initial term and each renewal term of this Agreement, Franchisee must satisfy each of the following conditions, to Franchisor's satisfaction, to renew the license granted herein:

(a) Franchisee shall give Franchisor written notice of renewal not less than ninety (90) days, nor more than one-hundred eighty (180) days, before the expiration of the then-current term;

(b) Franchisee shall not be in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its affiliates and shall be in compliance with all other Sharkey's Franchise Agreements to which Franchisee or its affiliates may be a party, and shall be in compliance with Franchisor's policies for all Sharkey's Cuts for Kids Salons on the date of the notice of renewal and at the expiration of the then-current term;

(c) Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor under this Agreement and any other agreement between the Franchisee and Franchisor or any of its affiliates and Franchisee and shall have timely met those obligations;

(d) Franchisee shall perform at Franchisee's expense such renovation and replacement of building, grounds, leasehold improvements, equipment, fixtures and signage as Franchisor reasonably requires so that the Salon conforms with then-current System standards;

(e) Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of the Salon premises or obtain Franchisor's approval of a new site for the operation of the Salon for the duration of the renewal term of this Agreement;

(f) Franchisee shall pay Franchisor a renewal fee of Two Thousand Five Hundred Dollars (\$2,500) at least six (6) months prior to renewal;

(g) Franchisee shall comply with Franchisor's then-current qualification and training requirements;

(h) Franchisee and the Controlling Principals shall sign a general release (the "General Release") of any and all claims against Franchisor, and the officers, directors, partners, shareholders, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and

(i) Franchisee will be required to sign Franchisor's then-current form of Franchise Agreement and pay the then-current royalty fee and any other recurring fees, but not the initial franchise fee, required by the then-current Franchise Agreement. Franchisee acknowledges that the then-current Franchise Agreement required to be executed by Franchisee at the time of renewal may contain terms materially different from those contained in this Agreement.

4. TRADEMARK STANDARDS

4.1 Grant

Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

4.2 Acknowledgments

Franchisee expressly understands and acknowledges that:

(a) As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(b) Neither Franchisee nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor's rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Marks or any other service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials of Franchisor, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Salon and only at or from its Location or in approved advertising related to the Salon.

(c) Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such Marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that it is bound not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

(d) Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's benefit, 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 Marks.

(e) Franchisee shall not contest the validity of or Franchisor's interest in the Marks or assist others to contest the validity of or Franchisor's interest in the Marks.

(f) Franchisee acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's rights in the Marks and a material event of default hereunder. Franchisee agrees that it shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks.

(g) If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. Franchisor shall have no obligation in such event to reimburse Franchisee for its documented expenses of compliance. Franchisee waives any other claim arising from or relating to any Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

4.3 Usage

With respect to Franchisee's franchised use of the Marks pursuant to this Agreement, Franchisee further agrees that:

(a) Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Salon only under the name "Sharkey's Cuts for Kids" or "Sharkey's Hair It Is".

Franchisee shall not use the Marks as part of its corporate or other legal name and shall obtain the Franchisor's approval of such corporate or other legal name prior to filing it with the applicable state authority.

(b) During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as the owner of the Salon in conjunction with any use of the Marks in the form and manner as Franchisor may specify, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Salon as Franchisor may require.

(c) Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

(d) Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

(e) Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor through Franchisor's Operations Manual (the "Operations Manual") and other ongoing communications.

4.4 Notification of Infringement or Claim

Franchisee shall notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, of any claim by any person of any rights in any Mark, and Franchisee and the Controlling Principals shall not communicate with any person other than Franchisor, its counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor in any litigation or other proceeding, or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. The attorneys' fees for any such action will be paid by Franchisor. Franchisor will defend Franchisee against any third-party claim, suit or demand arising out of Franchisee's use of the Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement and the Operations Manual, then the cost of the defense, including the cost of any judgment or settlement, will be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement and the Operations Manual, then the cost of the defense, including the cost of any judgment or settlement will be borne by Franchisee. If the cost of this defense of Franchisee's use of the Marks, including the cost of any judgment or settlement, is borne by Franchisee, then that will be a payment due under this Agreement and failure to pay will be cause for termination of this Agreement.

4.5 Use of Marks on the Internet

Franchisee's use of the Marks on the Internet and in domain names for the Internet is subject to the provisions of this Agreement and the Operations Manual. Franchisor reserves the right to establish and modify rules which will govern Franchisee's use of the Marks on the Internet and in domain names and Franchisee agrees to abide by such rules. Franchisee's right to use the Marks on the Internet will terminate immediately upon the expiration or termination of this Agreement.

5. FEES

5.1 Initial Franchise Fee

Sharkey's Cuts for Kids Franchise Franchisee shall pay to Franchisor an Initial Franchise Fee of One Hundred and Fifty Thousand Nine Hundred Ninety Dollars (\$159,990) for a Unit Franchise upon the execution of the agreement. The Initial Franchise Fee shall be deemed fully earned and non-refundable, in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party.

5.2 Royalty Fee

During the term of this Agreement, Franchisee shall pay to Franchisor, in partial consideration of the rights herein granted, a monthly royalty fee (the "Royalty Fee") of One Thousand Dollars (\$1,000) for the months 4 to 11 of the term. The Royalty Fee shall increase to One Thousand Two Hundred Fifty Dollars (\$1,250) during months 12 to 23 of the term. The Royalty Fee shall increase to Fifteen Hundred Dollars (\$1,500) during months 24 to 35 of the term. The Royalty Fee shall increase to One Thousand Seven Hundred and Fifty Dollars (\$1,750) starting on the 36th month of the term and thereafter for the remaining term of this Agreement.

5.3 Payment of Royalty Fee

The Royalty Fee shall be paid monthly and is due and payable and must be received by Franchisor on the first (1st) day of each month, unless such day is not a business day, in which event the Royalty Fee is due and payable on the next business day. Franchisor shall apply Franchisee's payments to Franchisee's outstanding accounts in any manner Franchisor reasonably deems appropriate, regardless of any instructions provided by Franchisee. Franchisee will timely pay all Royalty Fees and will not have the right to offset these amounts regardless of any claims or allegations of liability for damages or other payments that Franchisee may allege against Franchisor. By executing this Agreement, Franchisee agrees that Franchisor shall have the right to withdraw funds from Franchisee's designated bank account each month by electronic funds transfer ("EFT"), ACH in the amount of the Royalty Fee or to charge Franchisee's credit card for such Royalty Fee. Franchisee shall not be entitled to withhold payments due Franchisor under this Agreement on grounds of alleged non-performance by Franchisor hereunder. Franchisee shall, upon execution of this Agreement or at any time thereafter at Franchisor's request, execute such documents or forms as Franchisor determines are necessary for Franchisor to process EFTs from Franchisee's designated bank account or charges to Franchisee's credit card for the payments due hereunder. Should any EFT or credit card charge not be honored by Franchisee's bank for any reason, Franchisee agrees that it shall be responsible for that payment plus a service charge applied by Franchisor and the bank, if any.

5.4 Late Payment

Any payment or report not actually received by Franchisor on or before such date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable law. Franchisee shall pay Franchisor for any and all costs incurred by Franchisor in the collection of any unpaid amount from Franchisee including attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and Franchisee shall not be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if

no such amounts are due and owing hereunder then such excess shall be repaid to the party who paid such interest. Franchisee acknowledges that this Section 5.4 shall not constitute Franchisor's agreement to accept such payments after they are due or a commitment by Franchisor to extend credit to Franchisee or otherwise finance Franchisee's Salon. Franchisee also acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided herein, notwithstanding this Section.

5.5 Definition of Gross Sales

Certain payments required to be made hereunder, such as local advertising expenditures, are calculated based on the Gross Sales of Franchisee's Salon. "Gross Sales" shall mean sales from all services and products sold and any other fees (i.e., "Glamour Party" costs) collected by Franchisee at its Salon **minus** all sales tax and/or use tax and tips.

5.6 Other Fees

Franchisee shall timely pay such other fees or amounts described in this Agreement.

6. FRANCHISOR'S OBLIGATIONS

6.1 Initial Training Program

Franchisor shall provide to Franchisee and one (1) of its additional principal(s) (for a maximum of two (2) trainees) an initial training course concerning the operation of a Sharkey's Cuts for Kids Salon. Completion of the training course is mandatory and must be satisfactorily completed within the timeframe established by Franchisor. The training is conducted by the Franchisor and will be scheduled by the Franchisor in its sole discretion. Franchisor reserves the right to adjust its initial training program based upon the individual needs and/or experience of a trainee. The Franchisor reserves the right to provide this Initial Training program virtually.

Franchisor also provides a Manager & Employee training program delivered virtually via the Training portal. The Manager & Employee training program will be conducted during the 0-3 week period prior to the opening of your Sharkey's Cuts for Kids Salon. All employees must complete the Manager & Employee training program to the Franchisor's satisfaction within twenty-one days (21) of your Franchise Salon opening.

The Initial Training program and Manager & Employee training program will be conducted virtually from the Franchisor's headquarters in Westport, Connecticut or any other location chosen by Franchisor, which may include other franchisee or affiliate owned salons or offered virtually.

Franchisee may, with Franchisor's consent, send additional trainees to the initial training program and manager training program; however, any expenses related to providing the initial training program to additional trainees shall be borne by Franchisee, including, but not limited to, travel, lodging, meals and wages expenses, as well as Franchisor's then-current training fee.

6.2 Annual or Semi-Annual Conferences or Conventions

Franchisor may, in its sole discretion, hold a conference or conventions of its franchisees on an annual or semi-annual basis. If Franchisor elects to hold such a conference, it may use the conference to announce new product and service offerings, provide additional training, and to discuss sales techniques, advertising, staff training and other business related topics. Franchisee's, and managers (Franchisor has the option to exclude managers) attendance at such conference shall be mandatory; Franchisee shall bear all expenses incurred by it and its representatives in attending the conference, including, but not limited to,

travel, lodging, meals and wages. Franchisee, or its managers, are obligated to participate in all monthly conference calls given by Franchisor or its affiliates.

6.3 Initial Equipment and Signage

Franchisor, or its designee, shall provide Franchisee, upon Franchisee signing its lease, the following equipment, inventory, fixtures, and/or supplies: desk, base cabinets, adult styling chairs, kids styling chairs, station vanities, Xbox 1 consoles, flat panel televisions, television wall brackets, shelves for display, shelves and racks for in-store display, stools, monogrammed fixtures for vanities, assorted mirrors, manicure station, waiting area stools, chalk buckets, slop sink, mobile cart, electronic hair removal machines (eye-vac), vacuum, donation chips & boxes combs, brushes, flat iron, curling irons, blow dryers, clippers, buzzers, towels, capes, aprons, sanitizing jar and sanitizing liquid, hair washing stations, hair washing chairs, booster seats, monogrammed lampshades, Sharkey dollars, Sharkey bookmarks, Sharkey 1st haircut certificates and baggies, telephone, assorted wall hooks, *Dippin' Dots Freezer, retail, glamour dresses, nail polish and rings, balloons and stand, desk accessories, picture printer, princess clip containers, lollipop display and lollipops. The cost for such items is included in the Initial Franchise Fee paid by Franchisee upon execution of this Agreement. Signage and Computer Systems shall be purchased directly from our approved vendor and is not included in the Initial Franchise fee. **All Items provided by the Franchisor will only be delivered after the Franchisee have secured and signed a lease for your location.**

Franchisee shall have sole responsibility for maintaining the equipment, signage and fixtures, and for replenishing its inventory and supplies when needed. Franchisee shall additionally have sole responsibility for procuring and maintaining, at Franchisee's sole expense, all other required equipment, inventory, signage, fixtures, and supplies that are required to establish and operate the Salon.

*Dippin' Dots Freezer as long as Franchisor has relationship with Dippin' Dots corporate.

6.4 Domain Name and Website and Software

Franchisor shall provide Franchisee with a domain name and web page and Software company for its Sharkey's Cuts for Kids Salon, as well as a listing on Franchisor's website for Franchisee's Salon. The costs of the salon software shall be paid by Franchisee directly to the software company and the web hosting and any updating the Sharkey's Cuts for Kids website shall be paid by the Franchisor.

6.5 Site Location

Franchisor shall assist Franchisee with locating a suitable site for Franchisee's Salon. Franchisee and Franchisor's representative shall submit to Franchisor a list of possible locations for the Salon. In submitting its selections, Franchisee shall supply Franchisor with as much information, as listed and required in the pre-opening manual, as Franchisee has regarding the proposed location (Franchisor's recommendation or approval of any location is not a representation, warranty or guaranty that Franchisee will be successful at such location. Franchisor's recommendation or approval of a location only means that the location meets Franchisor's minimum requirements for a Sharkey's Cuts for Kids Salon.

6.6 Specifications for Construction and/or Remodeling

Within thirty (30) days after Franchisee executes a letter of intent for the approved location, Franchisor shall provide written specifications for the construction and/or remodeling of the location to comply with Franchisor's then-current image for Sharkey's Cuts for Kids Salons. Franchisee shall be responsible for hiring a contractor, unless landlord is delivering to Franchisee a turn-key location, to complete the construction and/or remodeling, at Franchisee's expense. In the event the specifications provided by Franchisor require any modification, such modification must be approved by Franchisor before being implemented. Franchisee shall be solely responsible for obtaining any required permits and/or licenses for the construction and/or remodeling of the Location, and for ensuring that all construction and

remodeling meets state and local building and other codes, as well as any other applicable law, such as the Americans with Disabilities Act. All construction costs in this estimate are subject to local market conditions in your area and will vary or possibly exceed average estimates depending on the city/state you choose for your franchised salon and supply chain conditions.

6.7 Continuing Services

To protect and maintain the distinction, valuable goodwill and uniformity represented by the Marks and System, Franchisor shall:

- (a) In its discretion, develop new service and product offerings and provide Franchisee with information about developments;
- (b) Be available to Franchisee (by appointment) for telephone consultations regarding general questions and operational problems Franchisee may encounter;
- (c) Provide advertising on behalf of the entire System, including franchisees. If Franchisor conducts such System-wide advertising, it will be at Franchisor's sole cost and expense;
- (d) Review any advertising developed by or for Franchisee and which Franchisee proposes to use in its local area; and

7. FRANCHISEE'S OBLIGATIONS

7.1 Site Selection

Franchisee is solely responsible for locating, evaluating and selecting a site for the Salon and for the review and negotiation of the lease for the Location. Franchisor will provide the assistance described in Section 6.5 above. Franchisee will not lease or otherwise acquire a site for the Salon until the site has been consented to by Franchisor.

7.2 Lease

Franchisor may, in its sole and absolute discretion, require that Franchisee submit the lease for the Salon to Franchisor for its written consent before Franchisee executes the lease. Franchisor will not withhold consent arbitrarily, but each lease by which Franchisee occupies the Salon must provide that Franchisor may, at its sole option, upon the termination, expiration or proposed transfer of this Agreement, take an assignment of Franchisee's interest in the lease, without the payment of additional consideration, and without liability for any obligations of Franchisee accrued as of the date of the assignment of the lease. In addition, each lease shall include a rider to the lease that shall be prepared by Franchisor and executed by Franchisor, Franchisee and by the landlord, in the form attached to this Agreement as Exhibit D.

Franchisor's review of the lease prior to its execution will not be for the purpose of approving the legal aspects, economics, or rental terms of the lease. Accordingly, Franchisor will have no responsibility to Franchisee with regard to the economics, legality or enforceability of the lease. Franchisee shall provide Franchisor with a copy of Franchisee's fully executed lease for the Salon.

7.3 System Standards

Franchisee shall be solely responsible for insuring that the Salon is designed, constructed, or improved, equipped and furnished in accordance with Franchisor's System standards. The Salon must conform to Franchisor's approved salon layouts, floor plans, specifications, exterior and interior decorating designs, and color schemes. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements and shall insure that the Salon is in compliance with all applicable local, state and federal laws, statutes and building and architectural barrier codes, including the Americans with Disabilities Act. Franchisee may remodel or alter the Salon, or change its equipment or fixtures, only with Franchisor's prior consent. Franchisee shall promptly repair or replace defective or obsolete equipment,

signage or fixtures in accordance with such standards established by Franchisor. Franchisee will be required periodically to remodel, modernize, and redecorate the Salon and to replace and modernize the furniture, fixtures, supplies, and equipment so that the Salon will reflect the then-current System standards; Franchisor shall not require such remodeling, modernization or redecorating more frequently than every five (5) years, at a maximum amount of Twenty Five Thousand Dollars (\$25,000). All construction costs in this estimate are subject to local market conditions in your area and will vary or possibly exceed average estimates depending on the city/state you choose for your franchised salon and supply chain conditions.

Franchisee shall implement changes in Salon requirements when prescribed, even if additional investment or expenditures are required.

7.4 Salon Opening

Franchisee shall use its best efforts to construct and/or remodel, equip and open the Salon for business within six (6) months after this Agreement is executed, except for delays that are outside of Franchisee's control, such as weather, equipment shortages, delivery delays, etc. Franchisee's inability to obtain financing shall not be included. Notwithstanding the foregoing, Franchisee shall have its Salon open and operating within one (1) year of the Effective Date of this Agreement. In the event Franchisee fails to have its Salon open and operating within said one (1) year timeframe, Franchisor may terminate this Agreement without providing Franchisee with a refund of any portion of the Initial Franchise Fee.

7.5 Signage

The Salon shall be identified only by the Marks and shall contain or display only signage that has been specifically designated or authorized by Franchisor. Franchisor shall have the right to place in a location chosen by the Franchisor signage identifying Franchisee by name as a franchisee of Franchisor and advising the public that Franchisee's business is an independently run franchise business. Franchisor may place information relating to franchise opportunities in the Salon.

7.6 Products and Services

Franchisee shall use and offer for sale all, but only those, products and services that are designated and approved periodically by Franchisor in writing. Franchisee acknowledges and agrees that designated products and services may be changed by Franchisor from time to time and Franchisee is obligated to conform to the then-current requirements as they may change. Franchisor may, in the future, develop and offer for sale private label products ("Proprietary Products"). Franchisee shall be obligated to buy such Proprietary Products from Franchisor and shall be required to offer such products to its customers only from the Location and from no other location or through the Internet or other on-line communications. Franchisee shall not conduct business at the Location other than the Sharkey's Cuts for Kids Salon franchised hereunder.

7.7 Compliance with Laws

Franchisee shall maintain the Salon in a clean, orderly and safe manner and in compliance with all applicable laws pertaining to the business including all health, sanitation, cosmetology, barber, and Occupational Safety and Health Administration laws. Franchisee shall operate and maintain the Location in strict compliance with all fire, safety and building codes, the American with Disabilities Act, and other requirements that may be prescribed by Franchisor or by public authority. Franchisee is exclusively responsible for the full knowledge and application of all employment laws, such as Title VII of the Civil Rights Act, Family and Medical Leave Act, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all state wage and hour laws, worker's compensation, Internal Revenue Code and the Immigration Law. Franchisee is exclusively responsible for ensuring that all stylists are licensed by the applicable state's Cosmetology Board or equivalent official licensing entity.

Franchisee and its Controlling Principals agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its Controlling Principals certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its Controlling Principals otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its Controlling Principals, or any blocking of Franchisee's or its Controlling Principals' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

7.8 Personnel

Franchisee shall manage or operate the Salon on a regular basis through a Controlling Principal or a manager or employee who has successfully completed Franchisor's training program. Franchisee will staff the Salon with qualified, competent employees who have been trained in accordance with Franchisor's standards within the timeframe required by Franchisor. Franchisee is solely responsible for recruiting, hiring, supervising and discharging employees, assuring their continuing compliance with standards of training and competence and setting their wages and terms of employment. Franchisee is solely responsible for equipping its employees with the tools necessary for such employee's job function, such as scissors, clippers, trimmers, etc.

7.9 Standards of Operation

Franchisee shall at all times operate the Salon in compliance with the System standards, authorized services, operating systems, and other aspects of the System prescribed by Franchisor in the Operations Manual and other manuals, as revised periodically by Franchisor, or in other communications from Franchisor. Franchisee shall not duplicate or disseminate the Operations Manual and other manuals in whole or in part, shall destroy superseded pages of all manuals, and shall return the Operations Manual and all other manuals to Franchisor immediately upon the assignment, termination or expiration of this Agreement. In the future, the Operations Manual and other communications may only be available on the Internet or other on-line communications. The Salon shall be open for business for such days and hours as prescribed periodically by Franchisor, subject to local law. Franchisee shall implement changes in operational requirements when prescribed, even if additional investment or expenditure is required. Franchisee acknowledges that other Sharkey's Cuts for Kids Salons may operate under different forms of franchise agreements with Franchisor, and that the rights and obligations of parties to other agreements may differ from those hereunder. Franchisor shall not be required to provide Franchisee with any modifications the same as or similar to modification provided to another franchisee in the System.

7.10 Computer System and Equipment

Franchisee shall install and be required to use such electronic data processing and communications hardware and software, including electronic mail, Internet access, television and music systems, voicemail system and computers, loyalty and rewards program, and all equipment as designated by the Franchisor. Franchisee shall be required to obtain certain hardware and software packages designated by Franchisor, which are subject to change periodically at Franchisor's discretion. Franchisee acknowledges that the Salon's operational data and customer information is owned by Franchisor and is the confidential and proprietary property of Franchisor regardless of whether such information is stored in Franchisee's computer system or by a third-party data warehousing service or software provider. This information is to be made available to Franchisor at any time during this agreement and provided to Franchisor upon request within a 24-hour period via email.

7.11 Website

Except for the website to be provided to Franchisee by Franchisor pursuant to Section 6.4, Franchisee shall not be permitted to establish its own website or other internet presence without Franchisor's prior written consent, which it may withhold in its discretion. Further, Franchisee shall not be permitted to use the Marks in connection with any internet presence. Franchisee shall not be permitted to list salon prices on the website.

7.12 Inspections and Evaluations

For the purpose of making periodic evaluations to ascertain if the provisions of this Agreement are being observed by Franchisee, Franchisor or its authorized representative shall have the right to enter the Salon at all times to: observe the operation of the Salon; inspect and evaluate Franchisee's products and services; and take photographs and videotapes of the interior and exterior of the Salon. Franchisee must provide Franchisor or its authorized representative with access to all information, books, records, operational data and customer information relating to the Salon as Franchisor may require, upon giving twenty-four (24) hours' notice. Franchisor from time to time may bring in new and prospective franchisees to your location, where no notice needs to be given.

7.13 Best Efforts; Confidentiality

Franchisee shall apply his/her best efforts to the development and promotion of the Sharkey's Cuts for Kids Salon licensed hereunder. During and after the term of this Agreement, Franchisee shall not disclose, except to Franchisee's employees, or use for any purpose other than operating the Salon, any trade secret, confidential or proprietary aspect of the System including, but not limited to, the contents of the Operations Manual and other manuals, the Franchisor's training program, Franchisor's Website and other on-line communications, or other information or know-how distinctive to a Sharkey's Cuts for Kids Salon or the System. Franchisee is further responsible for ensuring that Franchisee's employees maintain the same level of confidentiality. If Franchisee or its employees learn about an unauthorized use of any trade secret or confidential or proprietary materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action but will respond to the information as it deems appropriate. If Franchisee or an employee of Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, it is Franchisee's burden to prove that Franchisee is not in violation of this covenant.

7.14 Non-Competition

To prevent a conflict of interest and unfair competition based upon Franchisee's knowledge and use of the System and Marks, neither Franchisee nor its Controlling Principals shall without Franchisor's prior written consent (which may be withheld in Franchisor's sole discretion), directly or indirectly engage or participate in, consult with, or assist in any way, or participate in or share the earnings or profits of, any other business or activity that competes with the Sharkey's Cuts for Kids Salon, any retail hair care or personal grooming business, or any business selling hair products or any of the other services provided under the System: (i) during the term of this Agreement, at any location; and (ii) for three(3) years after the expiration, termination or assignment of this Agreement for any reason anywhere within fifty (50) miles of the Location or of any other Salon in the System. Neither Franchisee nor any of its Controlling Principals shall acquire or hold directly or indirectly any interest (other than one percent (1%) or less of the stock in a publicly traded corporation) in another retail hair care or personal grooming business or hair care franchise, without Franchisor's prior written consent. If a court or arbitrator finds this Section or any portion of this Section to be unenforceable, the court or arbitrator is authorized and directed to reduce the scope or duration (or both) of the provision in issue to the extent necessary to render it enforceable and to enforce the provision as so revised.

7.15 Disclosure Acknowledgment

Franchisee must also complete and execute the Franchisee Disclosure Acknowledgment Statement, which is attached hereto as Exhibit B, and deliver it to Franchisor prior to the execution of this Agreement.

7.16 Guaranty

Franchisee and each of Franchisee's shareholders or equity owners with a five percent (5%) or greater interest in the Franchisee shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the guaranty attached hereto as Exhibit C or otherwise provided by Franchisor, and shall otherwise bind themselves to the terms of this Agreement as stated herein.

7.17 Notice of Proceedings

Franchisee shall immediately deliver to Franchisor a copy of any notice of default received from any landlord, a copy of any notice or citation from any governmental agency or entity, or a copy of any notification of a legal proceeding commenced by or against Franchisee relating to Franchisee's Sharkey's Cuts for Kids. Franchisee shall keep Franchisor continuously advised of the status of the matter.

7.18 No Other Business

Neither Franchisee nor any of its Controlling Principals shall operate, directly or indirectly, nor allow the operation of, any other business within or in connection with the Location.

7.19 Continuous Operations

Franchisee shall, beginning on the date hereof and continuing during the remaining term of this Agreement, continuously operate a hair care business at the Location (except if prevented by an act of God or other cause beyond Franchisee's control as determined by Franchisor in its sole discretion), using its best efforts in the conduct of the business. Although Franchisee may hire a full-time manager to conduct the daily management of the Salon, the responsibility for the operation of the Salon remains with the Franchisee.

7.20 Liquidated Damages Upon Breach of Restrictive Covenant

In the event Franchisee breaches any restrictive covenant contained in this Agreement, Franchisee shall pay to Franchisor liquidated damages in the amount of Twenty Thousand Dollars (\$20,000) plus ten percent (10%) of the total sales generated (not including sales tax or use tax) by each site and/or location in breach of the restrictive covenant. Such monetary damages shall be in addition to any other remedies available to Franchisor.

8. ADVERTISING

8.1 Advertising Programs

Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Salons operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor shall own all photographs, video, and other media used in any advertising programs.

8.2 Local Advertising

(a) Franchisee shall spend not less than three percent (3%) of the Gross Sales of the Salon on advertising for the Salon in its Territory ("Local Advertising"). Within thirty (30) days of a request from Franchisor, Franchisee shall submit to Franchisor an advertising expenditure report accurately reflecting expenditures on Local Advertising, including such information as Franchisor may require. In addition to the restrictions set forth below, costs and expenditures

incurred by Franchisee in connection with any of the following shall not be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: incentive programs for employees or agents of Franchisee, including the cost of honoring any coupons distributed in connection with such programs; research expenditures; salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities; charitable, political or other contributions or donations; in-store materials consisting of fixtures or equipment; and seminar and educational costs and expenses of employees of Franchisee.

(b) Any promotional or advertising materials developed by or for Franchisee that have not been previously approved by Franchisor must be submitted to Franchisor for its review. Franchisor shall, within seven (7) days after receipt of the proposed materials, advise Franchisee as to whether the proposed materials are approved. If Franchisor does not provide its specific approval within this seven (7) day period, the proposed materials are deemed not approved. Any advertising developed by or on behalf of Franchisee must contain such terminology as Franchisor may require, including, but not limited to, "Franchises Available. Call 203-637-8911 for more information." Any materials submitted to Franchisor for its review shall become Franchisor's property, and there shall be no restriction on Franchisor's use or dissemination of such materials.

8.3 System-wide Advertising

Franchisor reserves the right to conduct advertising on behalf of all Sharkey's Cuts for Kids Salons in the System. If Franchisor conducts such advertising, it will be at Franchisor's sole expense. In addition, Franchisee shall participate in all promotional campaigns which Franchisor may establish for the region in which Franchisee's Salon is located. Such promotional campaigns may include setting of minimum or maximum prices for certain services and products. Franchisor has the option to create a Brand Fund and Advertising fund for which franchisee will be required to contribute to on a monthly basis. This fund to be no more than 3% of franchisees monthly revenues.

8.4 Grand Opening Advertising Campaign

Franchisee must conduct a Grand Opening, or a Re-Grand Opening if you are purchasing an existing salon, Advertising Campaign to announce the opening or ownership change of the Salon. Franchisee must spend a minimum of Twelve Thousand Dollars (\$12,000) on the Grand Opening, or Re-Grand Opening if you are purchasing an existing salon, Advertising Campaign. If Franchisee has purchased an existing Salon, Franchisee must conduct a Grand Re-Opening Advertising Campaign, spending a minimum amount of Twelve Thousand Dollars (\$12,000). Upon signing the Franchise Agreement, Franchisee shall pay to the Franchisor Nine Thousand Five Hundred Dollars (\$9,500) to conduct the Grand Opening (or Re-Opening) Advertising Campaign on Franchisee's behalf. Franchisee shall spend the remaining Two Thousand Five Hundred Dollars (\$2,500) in any matter they see fit however it must be spent within six (6) months following your Grand Opening (or Re-Opening) of the Salon. Franchisor reserves the right to collect all Twelve Thousand Dollars as required to conduct the Grand Opening (or Re-opening) Advertising Campaign on the Franchisee's behalf if necessary. Franchisee must submit a Grand Opening (or Re-Opening) Advertising Campaign proposal to the Franchisor for our approval prior to when the campaign begins. Any promotional materials developed by or for the franchised salon must include certain information and disclosures that the Franchisor requires.

8.5 Pricing

With respect to the offer and sale of all Salon products and services, Franchisor may from time-to-time offer guidance with respect to the selling price for such products and services. Except with respect to maximum prices set forth below, Franchisee is in no way bound to adhere to any such recommended or suggested price. Franchisee shall have the right to sell its products and provide services at any price that Franchisee may determine, except that Franchisor reserves the right to establish minimum and maximum prices for any given product or service nationwide or within a market (as determined by Franchisor).

Franchisee shall not exceed any maximum price established by Franchisor, but at all times remains free to charge any price below the maximum established by Franchisor. Franchisee shall execute any instruments or other writings required by Franchisor to facilitate the provision of such products and services. If Franchisee elects to sell any or all its products or merchandise at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at the recommended price will enhance Franchisee's sales or profits.

9. FINANCIAL STANDARDS

9.1 Records and Reports

Franchisee shall furnish to Franchisor all information, books and records relating to the Salon as Franchisor periodically may require, including data stored on Franchisee's computer and/or computer-generated reports, on forms designated by Franchisor, including, but not limited to, sales slips, coupons, purchase orders, payroll records, customer addresses, customer email addresses, customer telephone numbers, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing. Franchisee shall furnish its annual financial statements to Franchisor within sixty (60) days after Franchisee's fiscal year end. All sales shall be recorded in a manner prescribed by Franchisor. All records shall be made available to Franchisor for at least three (3) years following the end of Franchisee's fiscal year to which they pertain. Franchisee shall keep all such records where they are readily available to Franchisor and shall permit Franchisor to inspect, copy, and audit them at any time. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority pertaining to the Salon. This power of attorney shall survive the expiration or termination of this Agreement.

9.2 Financial Management

Franchisee shall make available sufficient working capital to permit operation of the Salon in compliance with this Agreement. Franchisee shall pay the debts of, and taxes and assessments against, the Salon. Franchisee shall discharge any encumbrance against the Salon (except those incurred in connection with Franchisee's long-term financing of the Salon) within thirty (30) days of its creation.

9.3 Right to Conduct Audit or Review

Franchisor or its authorized representative shall at all times be entitled to conduct an audit or review of Franchisee's books and records. Audits will be conducted during normal business hours at the Location or at Franchisee's normal place of business. If such an audit or review reveals a misstatement of five percent (5%) or greater in any data reported by Franchisee, or an underpayment of two percent (2%) or more of any fees due to Franchisor, Franchisee shall, in addition to other remedies, promptly reimburse Franchisor's cost of conducting the audit or review, including reasonable professional fees. Franchisee shall pay additional amounts found due within ten (10) days after Franchisee is notified. If no underpayment or misstatement as described in this Section is found to exist, Franchisor will pay the costs associated with the audit or review.

9.4 Records Defined

As used in this Section 9, the terms "records" shall include, but not be limited to, cash register recordings, purchase records, bank statements, sales journals, payroll tax returns, sales receipts, employment records, financial statements and other records normally maintained by such business.

9.5 Authorized Disclosure

Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to affect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Salon. Franchisee authorizes Franchisor to disclose data from Franchisee's reports, if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

10. INSURANCE

10.1 Coverages Required by Law

Franchisee shall, at its sole cost and expense, maintain all insurance required by state or federal law, including workers' compensation or other insurance required for its employees, and including all insurance required under the lease for the Location and the operation of the Salon.

10.2 Coverages Required by Franchisor

In addition to the foregoing coverages, Franchisee shall purchase and maintain in full force and effect during the term of this Agreement:

- (a) Comprehensive general liability insurance with a minimum limit of liability of One Million Dollars (\$1,000,000);
- (b) Excess umbrella liability insurance with a minimum limit of liability of One Million Dollars (\$1,000,000);
- (c) Property insurance in an amount of not less than Seventy-Five Thousand Dollars (\$75,000) for the contents of Franchisee's Salon; and
- (d) Business Interruption Insurance in an amount not less than Fifty Thousand Dollars (\$50,000).

10.3 Additional Insured; Certificates of Coverage

All insurance policies procured and maintained by Franchisee pursuant to this Agreement shall:

- (a) Name Franchisor, its affiliates and officers, directors, and partners as additional insureds;
- (b) Waive any right to assert a claim back against Franchisor; and
- (c) Undertake to notify Franchisor thirty (30) days in advance of any cancellation or material change in the policy.
- (d) If Franchisee fails to obtain or maintain the insurance described herein, Franchisor shall have the right, but not the obligation, to procure such insurance, and in such event, Franchisee shall immediately reimburse Franchisor for the costs of such insurance. All public liability and property damage insurance policies shall contain a provision that Franchisee's insurance coverage shall be primary to any coverage Franchisor maintains. Within sixty (60) days after the Effective Date of this Agreement, and annually thereafter, Franchisee shall deliver to Franchisor certificates of insurance, and if requested, copies of all applicable policies which evidence the proper coverage required by this Agreement.

11. INDEMNIFICATION OBLIGATIONS

11.1 Indemnification

Franchisee shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor, its successors and assigns, their respective partners and affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, from all “losses and expenses” (as defined in Section 11.3 below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

- (a) The infringement, alleged infringement or any other violation or alleged violation by Franchisee of any patent, mark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted hereunder);
- (b) The violation, breach or asserted violation or breach by Franchisee of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;
- (c) Libel, slander or any other form of defamation of Franchisor, the System or any developer or franchisee operating under the System, by Franchisee;
- (d) The violation or breach by Franchisee of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between Franchisee or any of its affiliates and Franchisor, or the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of any of them;
- (e) The failure of Franchisee, its Controlling Principals, its employees or its contractors to properly perform the services contemplated hereunder; and
- (f) Acts, errors, or omissions of Franchisee, any of Franchisee’s affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchisee and its affiliates in connection with the establishment and operation of the Salon.

11.2 Notice and Defense of Claims

Franchisee agrees to give Franchisor prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchisee to indemnify the Indemnities and to hold them harmless.

11.3 Losses and Expenses Defined

As used in this Section 11, the phrase “losses and expenses” shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys’ fees, court costs, settlement amounts, judgments, compensation for damages to the Franchisor’s reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described. All losses and expenses incurred under this Section 11 shall be chargeable to and paid by Franchisee pursuant to its obligations of indemnity under this Section 11, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

11.4 Survival

Franchisee expressly agrees that the terms of this Section 11 shall survive the termination, expiration or transfer of this Agreement or any interest herein.

12. FRANCHISOR'S RIGHT OF FIRST REFUSAL

12.1 Definitions

For purposes of this Section 12, the following words and phrases will have these definitions:

(a) "Assignment" – includes Franchisee's assignment, transfer, sale, gift, or other disposition of any interest in: (i) this Agreement; (ii) the Franchisee entity; (iii) the Salon governed by this Agreement; or (iv) the assets or a substantial portion of the assets of the Salon.

(b) "Controlling Interest" – a person will be deemed to have a controlling interest in Franchisee if that person has the majority of the voting stock or other forms of voting ownership interest of a corporation, partnership or other entity, or is otherwise able to direct or cause the direction of that entity's management or policies.

(c) "Franchisee" – includes all persons and entities with an ownership interest in this Agreement.

12.2 Offer to Franchisor

If Franchisee desires to make an Assignment or otherwise dispose of all or any part of Franchisee's interest in this Agreement, Franchisee shall first offer the proposed transaction to Franchisor.

12.3 Exclusions

Notwithstanding the terms of Section 12.2, the right of first refusal shall not apply if the assignee, transferee, or beneficiary is: (i) the spouse or child of Franchisee; (ii) a corporation or other entity owned and controlled solely by Franchisee; or (iii) already a shareholder or equity owner and the transaction does not result in a change in Controlling Interest. Franchisee must obtain Franchisor's prior written approval to the Assignment and must comply with all of the terms and conditions of Section 13 of this Agreement.

12.4 Documentation Required

In the event of a proposed Assignment, Franchisee shall provide the following information to Franchisor:

(a) A purchase agreement or letter of intent signed by the proposed assignee or other party to the transaction and by Franchisee, specifying all the material terms and conditions of the offer including price and payment terms;

(b) A copy of the most recent income statement and the income statement from the Salon's last fiscal year end;

(c) A copy of the lease for the Location;

(d) Current financial statements of the proposed assignee; and

(e) Any other information or documents as reasonably requested by Franchisor.

12.5 Notice to Franchisee

Franchisor will have thirty (30) days from receipt of all of the above materials to accept the offer, by written notice to Franchisee, on the price and payment terms (or pay to Franchisee the cash equivalent of the price and payment terms) of the third-party offer. If the proposed transaction includes assets not related to the operation of the Salon, Franchisor may choose to purchase only the assets related to the operation of the Salon. In the event that Franchisor does not exercise its right of first refusal and the offer changes in any way, or another offer is made to Franchisee, this new offer must also be presented to

Franchisor. Franchisor will have thirty (30) days to accept the new offer, by written notice to Franchisee, on the price and terms (or pay to Franchisee the cash equivalent of the price and payment terms) of the third-party offer. Any offer that Franchisor does not match must be consummated within one hundred twenty (120) days from the date that Franchisor informs Franchisee of its intent not to exercise its right of first refusal. If the transaction is not consummated within one hundred twenty (120) days, Franchisor will have the right to re-evaluate and match the offer if it elects to do so by notice to Franchisee.

12.6 Cash Equivalent Offer

Franchisor will have the right to replace the price and payment terms in the original purchase offer with a cash (“cash equivalent”) offer. If Franchisor exercises its right of first refusal by making a cash equivalent offer and there is any dispute concerning whether Franchisor’s offer is equivalent to the price and payment terms, then the following dispute resolution procedure shall be used. Franchisee will have seven (7) days after the receipt of Franchisor’s cash equivalent offer to notify Franchisor that it claims that Franchisor’s offer is not of equivalent value to the price and payment terms of the transaction. If, within seven (7) additional days, Franchisor and Franchisee cannot resolve the dispute through negotiation, then Franchisor and Franchisee will each appoint a separate national certified public accounting firm to make an independent determination of what the cash equivalent of the price and payment terms of the transaction would be. Franchisor and Franchisee will each bear their own costs of the work of the separate national certified public accounting firm appointed by each of them to perform this task. The accounting firms appointed to resolve this matter will finish their work within thirty (30) days of appointment. The final amount that will be used as the cash equivalent will be the average of the amounts determined by each of the accounting firms. Upon that determination, Franchisor will have the option of proceeding with its right of first refusal, using the cash equivalent amount determined by this process. This dispute resolution mechanism will be final, binding, and non-appealable as a fully arbitrated resolution of this matter. The mandatory use of this dispute resolution mechanism to determine the cash equivalency of the transaction terms for this right of first refusal will constitute an exception to any other mechanism for the resolution of disputes as set forth in Section 14.4 of this Agreement.

13. ASSIGNMENT OF FRANCHISE

13.1 Assignment by Franchisor

Franchisor shall have the right, without the need for Franchisee’s consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor herein and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor’s name, Marks (or any variation thereof) and System and/or the loss of association with or identification of Franchisor as the franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

Franchisee agrees that Franchisor has the right, now or in the future, 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 Salons operating under the Marks or any other marks following Franchisor’s

purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Franchisee acknowledges may be within its Territory, proximate thereto, or proximate to any of Franchisee's locations). However, Franchisor represents that it will not convert any such acquired salon premises that are operating within Franchisee's Territory to a Sharkey's Cuts for Kids Salon. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the hair care business or to offer or sell any products or services to Franchisee.

13.2 Assignment by Franchisee

The rights granted to Franchisee pursuant to this Agreement may be assigned or transferred by Franchisee only with the prior written approval of Franchisor. Whether Franchisee is an individual, group of individuals, partnership, corporation, limited liability company or other entity, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 18.1 of this Agreement is an "assignment" within the meaning of this Section and must be consented to by Franchisor. Franchisee must apply for consent to an assignment on Franchisor's forms, accompanied by the Assignment Fee described in Section 13.6 and proposed purchase agreement or other agreement signed by the Franchisee and the proposed assignee. Any unauthorized assignment is a breach of this Agreement, void, and of no effect.

13.3 Restrictions

Franchisee may not assign more than a fifty percent (50%) interest in this Agreement to any person, persons or entity who is not currently a party to this Agreement if the Salon is not yet operational. Franchisee may not assign any interest whatsoever in this Agreement if the Salon is temporarily closed due to a pending relocation, as authorized by Franchisor under Section 1.4. Franchisee may not include any of the Marks licensed under this Agreement when advertising the sale of its Sharkey's Cuts for Kids Salon in newspapers, magazines, journals, via electronic media, or in any other public forum.

13.4 Conditions to Approval of Assignment

If Franchisor declines to exercise its right of first refusal set forth in Section 12 and Franchisee wishes to transfer all or part of its interest in the Salon or this Agreement, or if Franchisee or a Controlling Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Salon or in this Agreement. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

(a) All of the accrued monetary obligations of Franchisee or any of its affiliates and all other outstanding obligations to Franchisor arising under this Agreement or any other agreement shall have been satisfied in a timely manner and Franchisee shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(b) Franchisee and its affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee or any of its affiliates and Franchisor, and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(c) The transferor and its principals (if applicable) shall have executed a General Release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, and its officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

(d) The transferee shall demonstrate to Franchisor's reasonable satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a license, including, but not limited to, Franchisor's educational, managerial and

business standards; transferee's good moral character, business reputation and credit rating; transferee's aptitude and ability to conduct the business franchised herein (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; and the geographic proximity and number of other salons owned or operated by transferee;

(e) The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement; and, if transferee is a corporation or a partnership, transferee's shareholders, partners or other investors, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(f) The transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as Franchisor may require for the Salon, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, the then-current system wide Royalty Fee and other recurring fees; provided, however, that the transferee shall not be required to pay any initial franchise fee; and, if transferee is a corporation or a partnership, transferee's shareholders, partners or other investors, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(g) The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Salon to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements which conform to the system wide standards within the time period reasonably specified by Franchisor;

(h) The transferor shall remain liable for all of the obligations to Franchisor in connection with the Salon incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(i) At the transferee's expense, the transferee, the transferee's operating principal, general manager (as applicable) and/or any other applicable Salon personnel shall complete any training programs then in effect for franchisees of Salons upon such terms and conditions as Franchisor may reasonably require;

(j) The transferee shall have completed and executed the Franchisee Disclosure Acknowledgment Statement, which is attached hereto as Exhibit B; and

(k) Franchisee shall pay to Franchisor the Assignment Fee set forth in Section 13.6 to reimburse Franchisor for reviewing the application to transfer, including, without limitation, legal and accounting fees.

13.5 Execution of Assignment

If the assignee is approved by Franchisor, the assignee will execute and deliver to Franchisor the then-current standard form of Franchise Agreement which may be materially different than this Agreement. The assignee and each of the assignee's shareholders or equity owners that will have a five percent (5%) or greater interest in the Franchise Agreement shall personally guaranty performance of the Franchise Agreement on Franchisor's form of Guaranty, which is attached hereto as Exhibit C. Notwithstanding the execution by the assignee of the then-current form of Franchise Agreement, the assignee will assume the balance remaining of the term of this Agreement with the attendant renewal provisions. The assignee shall not be required to pay an Initial Franchise Fee for the then-current Franchise Agreement.

13.6 Assignment Fee

Franchisee shall pay an Assignment Fee of Fifteen Thousand Dollars (\$15,000) per transferred salon to Franchisor. The Assignment Fee shall be paid upon Franchisee's request for consent to the proposed assignment. The Assignment Fee is otherwise non-refundable.

13.7 Assignment to Controlled Entity

Franchisor shall consent to Franchisee's assignment of this Agreement, one (1) time only, to a corporation or other business entity whose shares are wholly owned and controlled by Franchisee provided that: (i) Franchisee provides a copy of Franchisee's Articles of Incorporation, partnership documents or a copy of the fully-executed legal documents that reflect the formation of such entity, including evidence of distribution of ownership; (ii) Franchisee applies for Franchisor's consent on Franchisor's form; (iii) Franchisee and each of Franchisee's shareholders or equity owners with a five percent (5%) or greater interest in this Agreement sign a personal Guaranty and agree to be bound by the provisions of the Franchise Agreement; and (iv) Franchisee and each of Franchisee's shareholders or equity owners with a five percent (5%) or greater interest in this Agreement sign a General Release in favor of Franchisor.

13.8 Public Offering

(a) Securities or partnership interests in Franchisee may be offered to the public (a "public offering") only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion. As a condition of its approval to such offering, Franchisor may, in its sole discretion, require that immediately after such offering that Franchisee and the Controlling Principals retain a Controlling Interest (as defined above) in Franchisee.

(b) In the event Franchisor gives its consent to a public offering by Franchisee, such consent does not in any way constitute Franchisor's approval of Franchisee's offering or relieve Franchisee of its sole responsibility for the contents and veracity of the offering and any private placement memorandum or other documents associated with the offering. Franchisee must provide to Franchisor all documents related to the public offering for its review. Franchisee will be required to include such written disclosures as Franchisor deems appropriate in the event of a public offering by Franchisee.

13.9 Death or Disability

In the event of the death, disability or incapacity of any individual franchisee or a Controlling Principal, the transferee, assignee or beneficiary must apply for Franchisor's consent to assignment of the Franchise Agreement. The assignment shall not be valid or effective until Franchisor has received the properly executed legal documents which it deems necessary to properly and legally document the transfer, assignment or bequest of this Agreement, and until the transferee, assignee or beneficiary agrees to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of Franchisees' obligations under this Agreement. The transferee, assignee or beneficiary will be required to comply with all of the terms and conditions of Section 12 and 13 of this Agreement including the payment of the Assignment Fee owed under Section 13.6.

14. GOVERNING LAW, VENUE AND REMEDIES

14.1 Governing Law

This Agreement, after review by Franchisor, was accepted in the State of Connecticut and shall be interpreted, construed and governed according to the internal laws, and not the laws pertaining to choice or conflict of laws, thereof.

14.2 Remedies

No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every right or remedy.

14.3 Attorneys' Fees

In the event that either party hereto shall file an action to enforce any provision of this Agreement or seek damages for breach hereof, the prevailing party shall be paid, in addition to all other sums which may be required to be paid, a reasonable sum for such prevailing party's attorneys' fees

14.4 Arbitration

(a) Except as expressly set forth herein, all disputes, claims and controversies arising out of or relating to this Agreement or any other agreement between the parties hereto or a breach thereof shall be settled totally and finally by arbitration in Hartford, Connecticut, or such other location as the parties prescribe in accordance with this Agreement and the Commercial Arbitration Rules of the American Arbitration Association (the "Rules"). Except as expressly set forth herein, arbitration shall be the exclusive method available for resolution of such claims and disputes.

(b) Such arbitration shall be conducted before a panel of three (3) arbitrators, two selected by Franchisor and Franchisee and the third selected by the other two arbitrators. If the parties cannot agree upon two arbitrators within thirty (30) days after written demand for arbitration, the two arbitrators will be selected pursuant to the Rules. All arbitrators shall be knowledgeable and have experience in the franchise industry and be selected from the panel which the American Arbitration Association provides. Each party to the arbitration shall be responsible for their own cost and expenses of arbitration, including legal and filing fees. In the arbitration, any and all pretrial discovery methods, including, but not limited to, the taking of depositions of witnesses, written interrogatories, request for production, inspection and copying and documents shall be available to the parties subject to the reasonable limitations set forth by the arbitrators. The presentations of the parties and the arbitration proceedings shall be commenced and completed within sixty (60) days after selection of the arbitrators and the arbitrators shall render their decision in writing within thirty (30) days after completion of such presentations. The decision of the arbitrators shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. At the request of any party, the arbitrators shall make and provide to the parties, written findings of facts and conclusions of law. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

(c) Furthermore, notwithstanding the foregoing, the arbitrators shall have no jurisdiction over disputes relating to the ownership, validity, use or registration of any Mark, copyright or proprietary or confidential information of Franchisor, without Franchisor's prior written consent. Franchisor may seek any applicable remedy in any applicable form with respect to these disputes. In addition to obtaining monetary damages, Franchisor may obtain injunctive relief against misuse of our Marks, copyrights or confidential information.

(d) Notwithstanding the foregoing, nothing contained herein shall be construed to limit or prevent Franchisor from terminating this Agreement or applying to and obtaining from any court, having jurisdiction a writ of attachment, a temporary injunction, a preliminary injunction or any other injunctive or emergency relief available to safeguard and protect Franchisor's interests prior to the filing of or during or following any arbitration or other proceeding or pending the handing down of a decision or award in connection with any arbitration or other proceeding.

(e) Nothing contained herein shall be deemed to give the arbitrators any authority, power or right to alter, change, amend or modify, add to or subtract from any provisions of this Agreement.

14.5 Injunctive Relief

If Franchisor shall desire to seek specific performance or other extraordinary relief including, but not limited to, injunctive relief under this Agreement and any amendments thereto, or to collect monies due, then any such action shall not be subject to arbitration and Franchisor shall have the right to bring such action as described in Section 14.6.

14.6 Venue

With respect to any claims, controversies or disputes which are not finally resolved through arbitration as otherwise provided above, Franchisee hereby irrevocably submits to the jurisdiction of the state and federal district courts for Fairfield County, Connecticut. Franchisee hereby waives all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisee further agrees that venue for any proceeding relating to or arising out of this Agreement shall be Fairfield County, Connecticut; provided, however, with respect to any action for monies owed or for injunctive or other extraordinary relief, Franchisor may bring such action in any state or federal district court which has jurisdiction.

15. TERMINATION

15.1 Immediate Termination

Franchisor will have the absolute right and privilege, unless prohibited by applicable law, to immediately terminate this Agreement if:

(a) Any act or practice by Franchisee impairs or imminently threatens to impair the goodwill associated with the Marks or System;

(b) Franchisee, or any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors, shareholders, or members, if Franchisee is a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; 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; 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; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Salon shall be sold after levy thereupon by any sheriff, marshal, or constable;

(c) Franchisee at any time ceases to operate or otherwise abandons the Sharkey's Cuts for Kids Salon, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Salon is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control), if through no fault of Franchisee, the premises are damaged or destroyed by an event as described above, provided that Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation;

(d) Franchisee is convicted of, or has entered a plea of nolo contendere to, a felony, a crime involving moral turpitude, that Franchisor believes is reasonably likely to have an adverse

effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein;

(e) Franchisee operates the Salon or sells any products or services not authorized by Franchisor for sale at the Salon at a location which has not been approved by Franchisor, or fails to sell Proprietary Products, or sells unapproved products; or uses Franchisor's trademarks without approval from Franchisor,

(f) A threat or danger to public health or safety results from the construction, maintenance or operation of the Sharkey's Cuts for Kids Salon;

(g) Franchisee purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Salon to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer, contrary to the terms of Section 12 of this Agreement;

(h) Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor;

(i) Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein; provided that, notwithstanding the above,

(j) Franchisee commits three material events of default under this Agreement or any other agreement between Franchisee and Franchisor or any of its affiliates, within any twelve (12) month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor; or

(k) Franchisee fails to comply with all applicable laws and ordinances relating to the Salon, including Anti-Terrorism Laws, or if Franchisee's or any of its owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its owners otherwise violate any such law, ordinance, or regulation,

(l) Franchisee's royalty payments, loans, financing payments, ad or brand fund payments to Franchisor are past due 9 days or more (payments due on the 1st of each month so a termination would go into effect on the 10th of the month)

If this Agreement is terminated pursuant to this Section, Franchisor will give Franchisee written notice or notice via email that this Agreement is terminated. Unless applicable law applies to the contrary, the effective date of termination of this Agreement will be the day written notice or email notice is given to Franchisee.

15.2 Grounds for Termination

Franchisor may terminate this Agreement for "good cause." Good cause for termination is a material breach of this Agreement or any other Franchise Agreement Franchisee has entered into with Franchisor for a Sharkey's Cuts for Kids Salon, or intentional, repeated or continuous breach of any provision of this Franchise Agreement or any other Agreement. Good cause for termination of this Agreement by Franchisor also includes:

(a) Franchisee's failure to comply with the System and standards of uniformity and quality established by Franchisor;

(b) Franchisee's failure to make when due any payment pursuant to any Franchise Agreement, promissory note, other contract or other obligation payable by Franchisee to Franchisor;

- (c) Franchisee's failure to pay its obligations owing to suppliers, landlord, bank, other creditors or any federal, state, and municipal government, including federal and state taxes;
- (d) Franchisee commits a breach not otherwise provided for in Section 15.1 or 15.2 of this Agreement and fails to cure such breach with thirty (30) days after notice thereof; and
- (e) Franchisee's intentional understatement of Gross Revenues by more than two percent (2%).
- (f) Franchisee fails to open the franchise in accordance with Section 7.4.

15.3 Notice of Breach

Unless terminated in accordance with Section 15.1, Franchisor shall provide Franchisee with written notice or email notice stating the grounds relied upon for termination. If the stated grounds for termination are for nonpayment of amounts due or the understatement of Gross Sales, Franchisee will have three(3) days after the notice to cure the alleged breach. If applicable law does not specify a time period to cure an alleged breach, then Franchisee will have the same (3) days after the notice to cure the alleged breach. However, if the breach is not corrected within the cure period, the termination will then become effective upon expiration of the cure period.

16. CONSEQUENCES OF TERMINATION

Upon the termination, expiration or non-renewal of this Agreement:

- (a) Franchisee shall immediately cease to operate the Sharkey's Cuts for Kids Salon under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.
- (b) Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential information or methods, computer software, procedures, and techniques associated with the System; the Marks; and all other distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles which display the Marks, and shall immediately change all paint colors, remove Franchisor's distinctive décor and all other proprietary or non-proprietary design items.
- (c) Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "Sharkey's Cuts for Kids," or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.
- (d) Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which may cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in and to the 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.
- (e) Franchisee and its affiliates shall promptly pay all sums owing to Franchisor. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee, 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, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

(f) Franchisee and its affiliates shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Section 16.

(g) Franchisee shall immediately deliver to Franchisor all Operations Manuals, software licensed by Franchisor, if any, records, files, instructions, correspondence, all materials related to operating the Salon, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Salon in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

(h) Franchisee and its affiliates shall comply with the restrictions on confidential information contained in Section 7.13 of this Agreement and shall also comply with the non-competition covenants contained in Section 7.14.

(i) Franchisee shall also immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost, or to require Franchisee to destroy and properly dispose of such materials. Materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

(j) Upon execution of this Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in the signs and advertising materials used at the Salon are owned by and are hereby assigned to Franchisor, and that upon termination or expiration of this Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further interest therein.

(k) Franchisee shall assign to Franchisor the telephone and fax number used in the operation of the Salon, and Franchisee shall execute any documents required to provide Franchisor with the ability to act as Franchisee's attorney-in-fact to transfer such numbers.

(l) Upon termination of this Agreement according to its terms and conditions, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the then-current monthly Royalty Fee required to be paid to Franchisor multiplied by (i) twenty-four (24) (being the number of months in two (2) full years), or (ii) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. Franchisee and each of its Owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

17. TRANSFER OF SALON PREMISES AND EQUIPMENT

17.1 Assignment of Lease

If Franchisee operates the Salon under a lease for the Salon with a third party or, with respect to any lease for equipment used in the operation of the Salon, then Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Salon, or any equipment related thereto. Franchisor may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Salon premises or does not have such option, Franchisee shall make such modifications or alterations to the Salon as are necessary to distinguish the appearance of the Salon from that of other salons operating under the System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the requirements of this Section 17.1, Franchisor shall have the right to enter upon the premises of the Salon, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Notwithstanding the provisions of this Section 17.1 to the contrary, in the event the lease is assigned to Franchisor, Franchisor hereby indemnifies and hold harmless Franchisee and any guarantors under said lease, for any breach by Franchisor or its successors or assigns from any liability arising out of the lease for the Salon premises from and after the date of the assignment of the lease.

17.2 Equipment

(a) Except as otherwise provided below, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any electronic cash register or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Salon, at fair market value. Franchisor shall be purchasing Franchisee's assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two appraisers, with each party selecting one appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all fees for any such independent appraiser due from Franchisee, all amounts due from Franchisee to Franchisor and any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash.

(b) In addition to the options described above and if Franchisee owns the Salon premises, then Franchisor shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Salon premises including any building thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies and inventory therein at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee does not

own the land on which the Salon is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined in accordance with appraisal procedure described above.

(c) With respect to the options described in Sections 17.2(a) and 17.2(b), Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

(d) The time for closing of the purchase and sale of the properties described in Sections 17.2(a) and 17.2(b) shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date Franchisor receives and obtains all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in this Section 17 shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Sections 17.2(a) and 17.2(b), in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

17.3 Assets

Notwithstanding anything to the contrary contained herein, if Franchisee operates the Salon from a premises that is subleased to Franchisee by Franchisor, upon termination (or expiration if Franchisee does not renew) of this Agreement, Franchisor shall have the right to take immediate possession of the assets of the Salon, including, any or all of the furnishings, equipment (including any electronic cash register or computer hardware and software systems), signs, fixtures, supplies, and inventory of Franchisee related to the operation of the Salon. Franchisor shall have a lien against all such assets in the amount of any amounts due to Franchisor under this Agreement or any other agreement. Franchisor shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to Franchisee (or to any lender of Franchisee who has a lien holder interest in the assets) the difference between the appraised value and the amounts owed to Franchisor by Franchisee at the time of termination. If the lien on the assets from Franchisee's lender has priority over any lien of Franchisor, and the amount of the lien is in excess of the appraised value of such assets, Franchisor shall have the right to deal directly with Franchisee's lien holder, and to pay any amounts due to Franchisee directly to the lien holder. Franchisee agrees to provide all further assurances, and to execute all documents required by Franchisor or by law to lawfully effect such transfer, and to perfect Franchisor's security interest. Franchisor shall have the right to take such action without the execution of any further documents by Franchisee if Franchisee fails or refuses to comply with these further assurances.

17.4 Assignment; Power of Attorney

Franchisor shall be entitled to assign any and all of its options in this Section to any other party, without the consent of Franchisee. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Salon and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to

Franchisor all Internet listings, domain names, Internet accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usage related to the Sharkey’s Cuts for Kids Salon. Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, email addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18. MISCELLANEOUS PROVISIONS

18.1 Designation of Responsible Parties

Franchisee shall list below and certify to Franchisor: (a) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security or other interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each; and (b) the name and mailing address of the individual(s) who will be the principal operator(s) (the “Controlling Principals”) of the business franchised hereunder. The Controlling Principals (there may be up to two such individuals but only one address to which Franchisor communicates in regard to the franchise) named is responsible for the day-to-day management of the Salon and has the authority to act for Franchisee in all matters regarding the Salon, including voting responsibilities. Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Controlling Principals or in the shareholder information is subject to Section 12 and 13 of this Agreement. The term “Controlling Principals” shall include, collectively and individually, any person who has been designated by Franchisor as a Controlling Principal hereunder.

Franchisee is (i) [] a _____, organized under the laws of _____, or (ii) [] an individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

| Shareholder, Partner or Individual Name and Address | Percentage of Ownership Interest |
|--|-------------------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Controlling Principal(s):

Address:

18.2 Entire Agreement

This Agreement, the documents referred to herein, and the attachments hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior related agreements between Franchisor and Franchisee; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Disclosure Document that was furnished to Franchisee by Franchisor.

18.3 Severability

Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision 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, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

18.4 Notice

Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile, telegram or email, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three business days after the date and time of mailing.

18.5 Relationship

Franchisor and Franchisee stand solely in the business relationship of licensor and licensee and vendor and vendee. Franchisee is not and shall not act or represent itself as the employee, agent, partner or joint venturer of Franchisor. Franchisee shall incur no debt, liability or obligation on behalf of Franchisor. No fiduciary duties or relationship of special trust and confidence exist between the parties. Franchisor and Franchisee shall adhere to good business practices, observing high standards of honesty, integrity, fair dealing and ethical business conduct and good faith in all business dealings with customers, employees and vendors and each other. Franchisee is liable for all taxes, fees and other benefits and assessments regarding the business for itself, its employees and contractors.

18.6 Parties Affected

This Agreement binds the parties and their respective executors, administrators, successors and assigns. No person may acquire from Franchisee any interest in this Agreement except in accordance with Section 13. If Franchisee consists of more than one person, all are jointly and severally liable hereunder.

18.7 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 under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee, or as to a subsequent breach or default by Franchisee. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement.

18.8 Consent

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

18.9 Counterparts

This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

18.10 Captions

The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

18.11 Survival

Any obligation of Franchisee that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee therein shall be deemed to survive such termination, expiration or transfer.

18.12 Cumulative Rights

All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time.

18.13 System Changes

Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which Franchisee's Salon is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving, modifying or substituting the Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder. Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

18.14 Operation in the Event of Absence or Disability

In order to prevent any interruption of the Franchised Business operations which would cause harm to the Salon, thereby depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Salon, operate the Salon for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Salon during such period of operation by Franchisor shall be kept in a separate account, and the expenses of the Salon, including reasonable compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor temporarily operates the Salon franchised herein for Franchisee, Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

18.15 Step-In Rights – Cause for Step-In

If Franchisor determines in its sole judgment that the operation of Franchisee's business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the franchised business which would cause harm to the franchise system and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the sole judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the franchised business if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due or has failed to remove any and all liens or encumbrances of every kind placed upon or against Franchisee's business; or Franchisor determines that operational problems require that Franchisor operate Franchisee's business for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the business as a going concern.

18.16 Step-In Rights – Duties of Parties

Franchisor shall keep in a separate account all monies generated by the operation of Franchisee's business, less the expenses of the business, including reasonable compensation and expenses for Franchisor's representatives. In the event of the exercise of the Step-In Rights by Franchisor, Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee agrees to pay all of Franchisor's reasonable attorneys' fees and costs incurred as a consequence of Franchisor's exercise of its Step-In Rights. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

18.17 Costs and Legal Fees

If Franchisor is required to enforce this Agreement in a judicial or arbitration proceeding, Franchisee shall reimburse Franchisor for its costs and expenses, including, without limitation, 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 such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by Franchisee to comply with this Agreement, Franchisee shall reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

Signature Page to Follow

The parties hereto have executed this Franchise Agreement on the day of the year first above written.

SHARKEY'S CUTS FOR KIDS INTERNATIONAL
CO., LLC

By: _____

Name: _____

Title: _____

Accepted On: _____
(the "Effective Date")

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

PRINCIPAL:

By: _____

Name: _____

By: _____

Name: _____

Attachment1

Location and Territory Description

1. The Location will be as described below:

2. The Territory will be as described below:

Attachment 2 to the Franchise Agreement

Guaranty

In order to induce Sharkey's Cuts for Kids International Co., LLC, a Connecticut limited liability company ("Franchisor"), to either enter into or continue the Franchise Agreement dated as of _____ (the "Agreement") between Franchisor and _____ (the "Franchisee"), the undersigned guarantors (individually, a "Guarantor" and collectively "Guarantors") hereby jointly and severally, unconditionally and irrevocably guarantee to Franchisor, and its successors and assigns, the performance of all of Franchisee's obligations, arising from or created under the Agreement, including, without limitation, the obligation to pay all amounts due under the Agreement and any other agreement to which Franchisor and Franchisee are parties.

Upon default by Franchisee or upon notice by Franchisor, each of the Guarantors immediately shall make each payment and perform each obligation required of Franchisee under the Agreement.

The Guarantors hereby waive notice of acceptance of this Guaranty, notice of presentment, notice of default, demand for payment or performance and all other demands or notices required or customarily given under like circumstances and agree that no extension, compromise, arrangement, alternative in time or method of performance or release or partial release of any party or security, and no other act or omission by Franchisor shall release or relieve any of the Guarantors.

Franchisor may pursue its rights against any of Guarantors without first exhausting its remedies against Franchisee and without joining any other Guarantor. No delay on Franchisor's part in the exercise of any right or remedy shall operate as a waiver of the right or remedy, and Franchisor's single or partial exercise of any right or remedy shall not preclude the further exercise of any right or remedy. Upon Franchisor's receipt of notice of the death of any of the Guarantors, the estate of the deceased shall be bound by this Guaranty, but only for defaults and obligations under the Agreement existing at the time of death and, in the event of death, the obligations of the remaining Guarantors shall continue in full force and effect.

Each of the Guarantors hereby agrees to indemnify Franchisor against all liability, loss, harm, damage, costs and expenses (including legal fees) which Franchisor shall suffer, incur or sustain by reason of the failure of Franchisee to observe or perform its obligations under the Agreement. The Guarantors also hereby, jointly and severally, agree to reimburse Franchisor and its successors and assigns, for all expenses, collection charges, court costs and attorneys' fees incurred in endeavoring to collect, enforce or defend any of the foregoing against the Guarantors.

Without affecting the obligations of any of the Guarantors, Franchisor may, without notice to any of the Guarantors, waive, renew, extend, modify, amend or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims that Franchisor has against Franchisee. The liabilities and obligations of each of the Guarantors shall not be released, discharged or in any way be affected by any compromise, arrangement or plan of reorganization affecting Franchisee, or by the bankruptcy or insolvency of Franchisee, or by any other act or proceeding in relation to Franchisee or the Agreement whereby any of the Guarantors might otherwise be released. The liabilities and obligations of each of the Guarantors pursuant to this Guaranty shall be continuing in nature and a fresh cause of action shall be deemed to arise in respect of each default on the part of Franchisee giving rise to a liability of any of the Guarantors.

If any portion of this Guaranty is deemed to be invalid and inoperative for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, then severed, and the remainder of the Guaranty shall continue to be in full force and effect.

Each Guarantor has read the terms and conditions of the Agreement and acknowledges that the execution of this Guaranty is in partial consideration for the granting of the franchise, and that Franchisor would not have granted the franchise without the execution of the Guaranty and the undertakings by each of the Guarantors.

Signed this ___ day of _____, 20__.

GUARANTORS:

Name: _____

Name: _____

Name: _____

Name: _____

Name: _____

Name: _____

Attachment 3 to the Franchise Agreement

OPTION FOR ASSIGNMENT OF LEASE

This Option for Assignment of Lease (the “Assignment”) made this day of _____, 20 by and between Sharkey’s Cuts for Kids International Co., LLC, a Connecticut limited liability company located at 37 Highland Road, Westport, Connecticut 06880 (the “Company”), _____ (“Franchisee”) and _____ (“Landlord”) involving the Sharkey’s Cuts for Kids Salon (“Salon”) to be located at _____ (“Franchise Location”), with reference to the following facts:

On , 20, Franchisee and Landlord entered into a lease agreement (“Lease”), a fully executed copy of which is to be attached hereto as Exhibit A, pursuant to the terms of which Franchisee leased the Franchise Location from Landlord to operate the Salon thereon.

On , 20, the Company and the Franchisee executed a Franchise Agreement (the “Franchise Agreement”) pursuant to the terms of which Franchisee obtained a franchise from the Company to operate the Salon at the Franchise Location.

The Company, Franchisee and Landlord desire to enter into this Assignment to define the rights of the Company in and to Salon Franchise Location and to protect the interests of the Company in the continued operation of a Salon at the Franchise Location during the entire term of the Lease, and any and all renewals and extensions thereof, and Landlord desires to consent to this Assignment on the terms and conditions set forth herein.

1. Assignment. Franchisee hereby assigns, transfers and conveys to the Company, or its nominee, all of Franchisee’s right, title and interest in and to the Lease; however, this Assignment shall become effective only upon the Company’s exercise of the option granted to the Company in Section 3 herein subsequent to the occurrence of any of the following events:

(a) Default of Lease. If Franchisee shall be in default in the performance of any of the terms of the Lease, unless such default is cured within the period required in the Lease or within ten (10) days following written demand given by the Company, whichever is sooner.

(b) Default of Franchise Agreement. The occurrence of any acts which would result in immediate termination as specified in the Franchise Agreement or the continuance beyond the period or periods specified in the Franchise Agreement for cure of any default by Franchisee in the performance or payments required under the Franchise Agreement.

(c) Non-Exercise of Option to Renew or Extend. If Franchisee shall have had an option to renew or extend the Lease and shall have failed or elected not to do so within the time specified in the Lease for such renewal or extension, after having notified the Company in advance of Franchisee’s intention to not renew or extend pursuant to Section 1(d) hereof, and after being directed in writing by the Company to do so.

(d) Failure to Give Notice. If Franchisee fails to give the Company at least ninety (90) days’ prior written notice of his/her intention to exercise or not exercise any option to renew or extend the Lease or to terminate the Lease on at least thirty (30) days’ prior written notice of any amendment or modification of the Lease.

(e) Sale of the Salon. Upon Franchisee's sale of Franchisee's right, title and interest in and to the Salon conducted at the Franchise Location.

2. Consent to Assignment. Landlord hereby consents to this Assignment, which consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions thereof, and agrees that the Lease shall not be amended, assigned, extended or renewed, nor shall the Franchise Location be sublet by Franchisee, without the prior written consent of the Company.

3. Exercise of Option by the Company. The Company may exercise the option granted herein and thereby make this Assignment unconditional by giving written notice to Franchisee and Landlord of its exercise of such option in the manner specified in Section 8 hereof and by thereafter delivering to Landlord, within ten (10) business days after Landlord requests same, a written assumption of the obligations of the Lease.

The Company shall have the right, concurrently with or subsequent to the Company's exercise of the option granted herein, to assign and transfer its rights under this Agreement to an entity owned or controlled by the Company or to a new franchisee selected by the Company to operate the Salon, with the prior written consent of Landlord, which shall not be unreasonably withheld, provided that such new entity or franchisee shall have a credit rating and a net worth adequate for the operation of the Salon. In such event, such new entity or franchisee shall assume the obligations of the Lease in place and instead of the Company.

4. Termination of Rights of Franchisee. Upon the exercise of the option granted to the Company herein, Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location and all of Franchisee's prior rights in and to the Lease will have been, in all respects, terminated and, by the terms of this Assignment, assigned to the Company or its assignee.

5. Vacate Franchise Location. Franchisee shall immediately vacate the Franchise Location within the period permitted by the Lease; however, in the event that Franchisor shall fail or refuse to do so, the Company shall have the right to enter the Franchise Location and take possession of the Franchise Location.

6. Indemnification. Franchisee hereby covenants and agrees to indemnify and hold Landlord and the Company harmless from and against any and all loss, costs, expenses (including attorneys' fees), damages, claims and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by the Company and/or Landlord of the rights and remedies granted under this Assignment.

7. Remedies Cumulative. The remedies granted pursuant to this Assignment are in addition to and not in substitution of any or all other remedies available at law or in equity to the Company or Landlord.

8. Notices.

(a) Writing. All notices, requests, demands, payments, consents and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, addressed as specified in the introductory paragraph of this Agreement.

(b) Change of Address. Any party may change its address by giving notice of such change of address to the other parties.

(c) Mailed Notice. Mailed notices shall be deemed communicated within three (3) days from the time of mailing if mailed as provided in this Section 8.

9. Miscellaneous.

(a) Injunction. Franchisee and Landlord recognize the unique value and secondary meaning attached to the Company's trademarks, trade names, service marks, insignia and logo designs and the Franchise Location displaying same and agree that any noncompliance with the terms of this Assignment will cause irreparable damage to the Company and its franchisees. Franchisee and Landlord therefore agree that in the event of any noncompliance with the terms of this Assignment, the Company shall be entitled to seek both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

(b) Further Acts. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Assignment.

(c) Heirs and Successors. This Assignment shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

(d) Entire Agreement. This Assignment represents the entire understanding between the parties concerning the assignment of the Lease and supersedes all other negotiations, agreements, representations or covenants, oral or written, except any other agreement executed by the Company, Landlord and Franchisee in connection herewith. This Assignment may not be modified except by a written instrument signed by the party to be charged. The parties intend this Assignment to be the entire integration of all of their agreements of any nature. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein.

(e) Waiver. Failure by any party to enforce any rights under this Assignment shall not be construed as a waiver of such rights. Any waiver, including waiver of default, in any one (1) instance shall not constitute a continuing waiver or a waiver in any other instance.

(f) Validity. Any invalidity of any portion of this Assignment shall not affect the validity of the remaining portion and unless substantial performance of this Assignment is frustrated by any such invalidity, this Assignment shall continue in full force and effect.

(g) Execution by the Company. This Assignment shall not be binding on the Company unless and until it shall have been accepted and signed by an authorized officer of the Company.

(h) Attorneys' Fees. If any party commences an action against any other party arising out of or in connection with this Assignment, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit, including costs and fees on appeal.

10. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of Connecticut; however, if this Assignment concerns a Salon located in a state other than Connecticut and the laws of that state require terms other than those or in addition to those contained herein, then this Assignment shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Assignment or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Assignment which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Assignment. Any prohibition

against or unenforceability of any provision of this Assignment in any jurisdiction shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by law, Franchisee and Landlord waive any provision of law which renders any provision of this Assignment prohibited or unenforceable in any respect. Any litigation arising out of or related to this Assignment, or any breach thereof, shall be instituted in a court of competent jurisdiction in the County of Fairfield, State of Connecticut.

DATED the date first written above.

THE COMPANY:

SHARKEY'S CUTS FOR KIDS INTERNATIONAL
CO., LLC

By: _____

Name: _____

Title: _____

LANDLORD:

FRANCHISEE:

Attachment 4 to the Franchise Agreement

PROMISSORY NOTE

\$ _____

FOR VALUE RECEIVED, and intending to be legally bound hereby, the undersigned, _____, a _____ having a principal address of _____ and _____, an individual having a principal address of _____ (_____ and _____ collectively referred to as the "Maker"), promises to pay to the order of Sharkey's Cuts for Kids International Co., LLC, with an address of 37 Highland Road, Westport, Connecticut 06880 ("Sharkey's"), the principal sum of _____ Dollars (\$ _____), with payment being due and payable upon Maker's Opening Date, as that term is defined in that certain franchise agreement executed by and between Maker and Sharkey's on or about _____ (the "Franchise Agreement"). Until such Opening Date, this Note shall not accrue interest.

In the event that any payments which may become due under the terms of this Note, including penalties, costs, and attorneys' fees, shall bear interest from the date upon which they become due at the rate of eighteen percent (18%) per annum or the highest rate allowable by law, whichever is lower. Such costs and fees shall become due and payable upon demand by Sharkey's.

Notwithstanding the foregoing, this Note shall become immediately due and payable without further notice or demand upon the occurrence of any Event of Default. Each of the following shall constitute an "Event of Default," whatever the reason for such event and whether or not it shall be voluntary or involuntary, or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or non-governmental body: (a) if the Opening Date does not occur in accordance with the Franchise Agreement, (b) if any payment of principal and/or interest on the principal amount as aforesaid shall not be paid when due, (c) if Makers shall breach any covenant or default in the performance of any obligation of Makers under this Note, the security agreement of even date herewith securing the Note ("Security Agreement"), the Franchise Agreement, or any other agreement between Maker and Sharkey's or Sharkey's affiliates, (d) if Maker shall admit to Sharkey's that Maker is unable to pay their debts as they become due, or shall become insolvent, or shall suspend transaction or operation of their Franchised Business, as that term is defined in the Franchise Agreement; (e) if Maker enters into any oral and/or written agreement to sell, assign, gift and/or in any way transfer (or if Maker does sell, assign, gift and/or in any way transfer) any of their interest in the Franchised Business, without Sharkey's prior written consent; (f) if Maker shall make an assignment for the benefit of creditors, or files a voluntary petition under the Bankruptcy Code, as amended, or federal or state insolvency law or apply for or consent to the appointment of a receiver, trustee or custodian of all or a part of their property, in each case which shall remain unstayed for thirty (30) days; (g) if an order for relief shall be entered following the filing of an involuntary petition against Maker under the Bankruptcy Code, as amended, or any other Federal or state insolvency law, or if an order shall be entered appointing a trustee, receiver or custodian of all or part of their property, in each case which shall remain unstayed for thirty (30) days; or (h) if any individual of Maker dies or becomes permanently incapacitated such that he or she is unable to perform daily functions on behalf of the Franchised Business.

Upon an Event of Default, payment of the entire unpaid balance of the principal sum and all other sums due by Maker hereunder together with interest accrued thereon at the rate hereinbefore specified, shall at the option of Sharkey's and without further notice to Maker, become due and payable immediately and payment of the same may be recovered in whole or in part at any time by one or more of the remedies provided

to Sharkey's in this Note or by law or at equity; and in such case, Sharkey's may also recover all costs of suit and other expenses in connection therewith, together with reasonable attorney's fees for collection of twenty percent (20%) of the total amount then due by Maker to Sharkey's.

The remedies of Sharkey's as provided herein shall be joint and several against Maker, cumulative and concurrent and may be pursued singly, successively or together against Maker and/or any other obligor under this Note to Sharkey's as security for this Note, at the sole discretion of Sharkey's, and such remedies shall not be exhausted by any exercise thereof but may be exercised as often as occasion therefor shall occur.

Sharkey's shall not by any act of omission or commission be deemed to have waived any of Sharkey's rights or remedies hereunder unless such waiver be in writing and signed by Sharkey's, and then only to the extent specifically set forth therein; a waiver on one event shall not be construed as continuing or as a bar to or waiver of such right or remedy on a subsequent event.

Maker hereby waives and releases all errors, defects and imperfections of a procedural nature in any proceedings instituted by Sharkey's under the terms of this Note, as well as all benefits that might accrue to Maker by virtue of any present or future laws exempting any other property, real or personal, or any part of the proceeds arising from any sale of such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment, as well as the right of inquisition on any real estate that may be levied upon under a judgment obtained by virtue hereof, and Maker hereby voluntarily condemns the same and authorizes the entry of such voluntary condemnation on any writ of execution issued thereon, and agrees that such real estate may be sold upon any such writ in whole or in part and in any order desired by Sharkey's.

Except as otherwise provided herein, Maker and all endorsers, sureties, and guarantors hereof jointly and severally and intending to be legally bound, waive presentment for payment, demand, notice of non-payment, notice of protest, and protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note, and they agree that the liability of each of them shall be unconditional without regard to the liability of any other party and shall not be in any manner affected by any indulgence, extension of time, renewal, waiver, or modification granted or consented to by Sharkey's; and Maker, all endorsers, sureties, and guarantors hereof consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Sharkey's with respect to the payment or other provisions of this Note, and to the releases of the security for this Note, or any part thereof, with or without substitution, and agree that additional Makers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

Sharkey's shall have the right to transfer, assign or pledge this Note and the benefits hereunder shall inure to Sharkey's, Sharkey's officers, directors, members, personal representatives, successors, and assigns. Maker may not assign, transfer or pledge this Note without the express prior written consent of Sharkey's. Furthermore, the Maker's obligations hereunder shall inure to Maker's heirs, successors and assigns.

The Maker represents and warrants that the Maker (a) will not breach or be in default on any agreement, mortgage, loan or credit arrangement by their execution of this Note; and (b) will be bound and obligated under this Note and that this Note constitutes a valid, legal and binding obligation of the Maker, enforceable by the Sharkey's or its successors and assigns.

All notices hereunder shall be deemed given if hand-delivered or sent by certified mail, return receipt requested or recognized overnight carrier to the parties at the addresses specified above, or at such other addresses as the parties may specify from time to time in writing. Notice shall be deemed received upon delivery if hand-delivered or three (3) days after mailing, if mailed or one (1) day after being placed with an

overnight carrier. All rights and obligations under this Note shall extend to and be binding upon the respective heirs, successors and assigns of the Maker and Sharkey's.

This Note will be governed by and construed in accordance with the laws of the State of Connecticut, except to the extent that the UCC provides for the application for the law of the Maker's state of residence. Should any one or more provisions of this Note be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

EXECUTED by each Maker the day and year first above written.

By: _____

(Print Name, Title)

(Print Name)

PERSONAL GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on _____, 20____ (the “Effective Date”) to Sharkey’s Cuts for Kids International Co., LLC, a Connecticut limited liability company (“Sharkey’s”), as an inducement to the execution of a certain Note and Security Agreement on or about the Effective Date (the “Note and Security Agreement”). The undersigned hereby, jointly and severally, unconditionally (a) guarantees to Sharkey’s, and Sharkey’s successors and assigns, for the term of the Note and Security Agreement, that Maker, as that term is defined in the Note, shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Note and Security Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Note and Security Agreement. Each of the undersigned waives: (1) acceptance and notice of acceptance by Sharkey’s of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right to require that an action be brought against Maker or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which Guarantor be entitled.

Each of the undersigned consents and agrees that: (1) Guarantor’s direct and immediate liability under this guaranty shall be joint and several; (2) Guarantor shall render any payment or performance required under the Note and the Security Agreement upon demand if Maker fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Sharkey’s of any remedies against Maker or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Sharkey’s may from time to time grant to Maker or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Note.

The obligations of the undersigned hereunder are independent of the obligations of Maker and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against the undersigned whether or not Maker is joined therein or a separate action or actions is or are brought against Maker. Sharkey’s may maintain successive actions for other defaults. Sharkey’s rights hereunder shall not be exhausted by Sharkey’s exercise of any of Sharkey’s rights or remedies or by any such action or by any number of successive actions until and unless all obligations hereby guaranteed have been fully performed.

This Guaranty is a present, continuing, absolute and unconditional guaranty and notice of its acceptance is waived.

This Guaranty shall remain in full force and effect until full performance by Maker pursuant to all of the terms of the Note, at which time this Guaranty and the obligations of the Guarantor hereunder shall cease and determine without any further action by the parties hereto, and Sharkey’s shall thereafter promptly return this Guaranty to Guarantor. No provision of this Guaranty or right of Sharkey’s hereunder can be waived nor shall the undersigned be released from its obligations hereunder except as set forth in the preceding sentence.

Upon the occurrence and continuation of an Event of Default hereunder, Sharkey’s shall have the right to use, and Guarantor hereby grants to Sharkey’s a security interest in any funds, securities or other property in its hands belonging to the Guarantor, which funds, securities or other property may be applied by Sharkey’s, as Sharkey’s shall elect, to secure the obligations of the Guarantor, hereunder and as endorsers of the Note. Guarantor shall execute and file all documents, including financing statements, to confirm the provisions of this paragraph to perfect the security interest herein granted. Guarantor hereby irrevocably appoints Sharkey’s, its designees and nominees, as such Guarantor's agents and attorneys-in-

fact to execute in such Guarantor's name and to file such documents and instruments.

This agreement will be governed by and construed in accordance with the laws of the State of California, except to the extent that the UCC provides for the application for the law of the Guarantor's state of residence. Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

This shall be an agreement of suretyship as well as a guaranty and Guarantor agrees that this Guaranty may be enforced by Sharkey's without the necessity at any time of resorting to or exhausting any other security or collateral given in connection herewith or with the Note or the Security Agreement or otherwise and recovery hereunder shall not be limited to such security or collateral.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, has executed this Guaranty on the date first above written.

(Print Name)

SECURITY AGREEMENT

THIS AGREEMENT, made as of _____, 20 by and between _____, a _____ having a principal address of _____ and _____, an individual having a principal address of _____ (_____ and _____ collectively referred to as the "Debtor"), and Sharkey's Cuts for Kids International Co., LLC, a Connecticut limited liability company, with an address of 37 Highland Road, Westport, Connecticut 06880 (the "Secured Party")

WHEREAS, Debtor has executed and delivered to Secured Party a promissory note, bearing even date herewith ("Note"), and

WHEREAS, Secured Party desires to secure the Debtor's payment of all amounts due under the Note and the Debtor's performance of all of their obligations under the Note by taking a security interest in certain of Debtor's property.

NOW, THEREFORE, intending to be legally bound by this Agreement, Debtor and Secured Party mutually covenant and agree as follows:

1. *Security Interest.* Debtor hereby grants and conveys to Secured Party a continuing security interest in and lien upon all Collateral (as hereinafter defined), now owned or hereafter acquired or arising in connection with the Debtor's Sharkey's Cuts for Kids Salon, as that term is defined in that certain franchise agreement executed by and between Debtor and Secured Party on or about _____ (hereafter the "Franchise Agreement") or otherwise, all in accordance with the provisions of the Uniform Commercial Code as enacted in the state in which the assets secured herein will be located (the "UCC"). Such security interest is granted as security for the payment of all amounts due by the Debtor to Secured Party under the Note and Debtor's performance of all of its obligations under the Note.

2. *Collateral.* For purposes of this Agreement, "Collateral" is defined to include all stocks and assets of each of Debtor, now owned or possessed or hereafter acquired, wherever located, whether new or used, including but not limited to, all accounts; accounts receivable; contract rights; leases; furniture; furnishings; equipment; fixtures; tools; accessories; movable trade fixtures; goods held for sale, including all supplies, finished goods and all other items customarily classified as inventory; chattel paper; instruments; documents; letters of credit; all funds on deposit with any financial institution; commissions; and including the proceeds and products therefrom and any and all substitutions, replacements, additions and accessions thereto and any rebate/award program (or similar incentive programs) to which Debtor may be entitled pursuant to the Franchise Agreement, as well as all parts, replacements, substitutions, profits, products and cash and non-cash proceeds of the foregoing Collateral (including insurance and condemnation proceeds payable by reason of condemnation of or loss or damage thereto).

3. *Debtor's Warranties, Representations and Agreements.* The Debtor represents and warrants to Secured Party and agrees that:

(a) Except for the security interest herein granted, Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance;

(b) Debtor agrees to keep complete and accurate Books and Records (as used herein, the term "Books and Records" is defined to include all books of original and final entry, records, ledgers, receipts and documentation, including computer programs, software, stored material and data banks associated with or

arising out of Debtor's Franchised Business or record keeping) and make all necessary entries therein to reflect the quantities, costs, value and location of the Collateral. Debtor agrees to mark their Books and Records in such fashion as to indicate the security interest granted to Secured Party herein. Debtor will permit Secured Party, its officers, employees and agents, to have access to all of Debtor's Books and Records and any other records pertaining to Debtor's Franchised Business which Secured Party may request, and will cause all persons and services including online accounts, bookkeeping services, accountants and the like, to make all such Books and Records available to Secured Party, its officers, employees and agents and, if deemed necessary by Secured Party in Secured Party's sole discretion, permit Secured Party, its officers, employees and agents to duplicate, at Debtor's expense, the Books and Records at Debtor's place of business or any other place where they may be found. Secured Party's right to inspect and duplicate Debtor's Books and Records will be enforceable at law by action of replevin or by any other appropriate remedy at law or in equity;

(c) The Collateral and Books and Records are, have been and will be kept at the Debtor's address as set forth above and/or the location set forth on Exhibit A of the Franchise Agreement;

(d) Debtor shall immediately notify Secured Party in writing of any event causing deterioration, loss or depreciation in value of any of the Collateral and the amount of such loss or depreciation. Debtor shall permit Secured Party, its officers, employees and agents, access to the Collateral at any time and from time to time, as and when requested by Secured Party, for the purposes of examination, inspection and appraisal thereof and verification of Debtor's Books and Records pertaining thereto, and Debtor will pay the expenses of these inspections and audits on Secured Party's request. Debtor will promptly notify Secured Party in writing if there is any change in the status or physical condition of any Collateral. Debtor agrees not to return any Collateral to the supplier thereof without obtaining Secured Party's prior written consent;

(e) Debtor will not sell, exchange, lease, rent or otherwise dispose of any of the Collateral or of any Debtor's rights therein, other than in the ordinary course of Debtor's Franchised Business, without the prior written consent of Secured Party;

(f) Debtor will care for and preserve the Collateral in good condition and repair at all times and will pay the cost of repairs to and maintenance and preservation of the Collateral and will not permit anything to be done that may impair the value of any of the Collateral or the security intended to be afforded by this Agreement;

(g) No Event of Default has occurred, and no event has occurred which, with the passage of time or the giving of notice or both, could be an Event of Default hereunder;

(h) Debtor will notify the Secured Party in writing prior to beginning to engage in business in any corporate or fictitious name other than its present corporate name;

(i) Debtor will not use the Collateral in violation of any federal, state or local statute or ordinance;

(j) Debtor will comply with each covenant set forth in the Note and the Franchise Agreement;

(k) Debtor will not hereafter grant a security interest in the Collateral to any person, firm or corporation;

(l) If any of the Collateral or any of Debtor's Books and Records are at any time to be located on premises leased by Debtor or on premises owned by Debtor subject to a mortgage or other lien, Debtor shall obtain and deliver or cause to be delivered to Secured Party prior to delivery of any Collateral or Books and Records concerning the Collateral to said premises, an agreement, in form satisfactory to Secured Party, waiving the landlord's, mortgagee's or lienholder's rights to enforce any claim against Debtor for moneys due under the landlord's lien, mortgagee's mortgage or other lien by levy of distraint or other similar proceeding against the Collateral or Debtor's Books and Records and assuring Secured Party's ability to have access to the Collateral

and Debtor's Books and Records in order to exercise Secured Party's rights to take possession thereof and to remove them from such premises;

(m) Debtor will keep the Collateral insured against all hazards in such amounts and by such insurers as are satisfactory to Secured Party, with insurance policies which provide for at least ten (10) days prior written notice to Secured Party of any cancellation or reduction in coverage. Debtor will cause Secured Party's security interest to be endorsed on all policies of insurance in such manner that all payments for losses will be paid to Secured Party as loss-payee and will furnish Secured Party with evidence of such insurance and endorsements. Debtor will keep such insurance in full force and in effect at all times. In the event that Debtor fails to pay any such insurance premiums when due, Secured Party may but is not required to pay such premiums and add the costs thereof to the amounts due Secured Party by Debtor under the Note. Debtor hereby agrees to pay such premiums to Secured Party with interest at the highest rate of interest being charged to Debtor by Secured Party under the Note at the time of payment of such premiums by Secured Party. Debtor hereby assigns to Secured Party any returned or unearned premiums which may be due upon cancellation of any such policies for any reason whatsoever and directs the insurers to pay Secured Party any amount so due.

4. *Use of Collateral; Casualty.* Until the occurrence of an Event of Default, Debtor may sell and use the Collateral in the ordinary course of its business, consistent with past practices, and accept the return of and repossess goods constituting the Collateral. Immediately upon the loss, damage or destruction of any Collateral, Debtor will deliver to Secured Party an amount equal to the greater of Debtor's (a) actual cost or (b) replacement cost of the Collateral so lost, damaged or destroyed, less the amount of any insurance proceeds thereon anticipated to be collected and retained by Secured Party.

5. *Event of Default.* The occurrence of any one or more of the following will be an "Event of Default" hereunder:

(a) The failure of Debtor at any time to observe or perform any of their warranties, representations or agreements contained in this Agreement or any other agreement between Debtor and Secured Party;

(b) Debtor's default under the terms of the Note;

(c) The subjecting of the Collateral or any rights therein to or the threat of any judicial process, condemnation or forfeiture proceedings;

(d) The insolvency of Debtor, the commencement of a voluntary or involuntary case in bankruptcy against Debtor, the consenting of Debtor to the appointment of a receiver or trustee of any of its property or any part thereof, or the entry of any order of relief against Debtor in any case.

6. *Secured Party's Rights and Remedies.* Upon or after the occurrence of any Event of Default, Secured Party may do any or all of the following, all of which rights and remedies shall be cumulative and any and all of which may be exercised from time to time and as often as Secured Party shall deem necessary or desirable:

(a) Exercise any and all rights, privileges and remedies available to Secured Party under this Agreement, the Note and the Franchise Agreement, and under the UCC, or any other applicable law, including without limitation the right to require the Debtor to assemble the Collateral and make it available to Secured Party at a designated place reasonably convenient for disposition;

(b) Notify Debtor's lessees, renters and account debtors to make all payments directly to Secured Party and to surrender, at the termination of any lease of any Collateral, the item or items of Collateral so leased or to pay the sale option price, if any, directly to Secured Party;

(c) Cure any default in any reasonable manner and add the cost of any such cure to the amount due under the Note and accrue interest thereon at the rate then being charged by Secured Party under the Note;

(d) Retain all of Debtor's Books and Records;

(e) Upon five (5) days prior written notice to Debtor, which notice Debtor acknowledges is sufficient, proper and commercially reasonable, Secured Party may sell, lease or otherwise dispose of the Collateral, at any time and from time to time, in whole or in part, at public or private sale, without advertisement or notice of sale, all of which are hereby waived, and apply the proceeds of any such sale:

(i) first, to the expenses of Secured Party in preparing the Collateral for sale, selling and the like, including without limitation reasonable attorneys' fees and expenses incurred by Secured Party (including fees and expenses of any litigation incident to any of the foregoing);

(ii) second, to the payment in full of all sums owing to Secured Party under the Note and the satisfaction of all of the Debtor's obligations under the Note and the Franchise Agreement; and

(iii) any excess shall be paid to Debtor.

The waiver of any Event of Default, or Secured Party's failure to exercise any right or remedy hereunder, shall not be deemed a waiver of any subsequent Event of Default or of the right to exercise that or any other right or remedy available to Secured Party.

7. *Miscellaneous.* The rights and privileges of Secured Party under this Agreement will inure to the benefit of its endorsers, successors and assigns forever and this Agreement shall bind all persons who become bound as a debtor to this Agreement. All representations, warranties and agreements of Debtor contained in this Agreement will survive this Agreement. This Agreement will be governed by and construed in accordance with the laws of the State of California, except to the extent that the UCC provides for the application for the law of the Debtor's state of residence. If any provision of this Agreement will for any reason be held to be invalid or unenforceable, such invalidity or unenforceability will not affect any other provision hereof, but this Agreement will be construed as if such invalid or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, Debtor and Secured Party have caused this Security Agreement to be duly executed and sealed as of the day and year first above written.

DEBTOR

By: _____

(Print Name, Title)

(Print Name)

SECURED PARTY

Sharkey's Cuts for Kids International Co., LLC

By: _____

Scott Sharkey, Manager
(Print Name)

Attachment 5 to the Franchise Agreement

MULTI-UNIT ADDENDUM

THIS ADDENDUM TO THE SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC FRANCHISE AGREEMENTS (this “Addendum”) is made this _____ (“Effective Date”) between Sharkey’s Cuts for Kids International Co., LLC, a Connecticut limited liability company (the “Franchisor”), and _____ a _____ having its principal business address at _____ (the “Franchisee”).

WHEREAS, the parties are executing _____ () Franchise Agreements (the “Agreements”) contemporaneously with this Addendum;

WHEREAS, the Protected Territory for each Franchise Agreement is attached to the respective Agreement as its Exhibit A (the “Territories”); and

WHEREAS, the parties desire to amend the Agreements as set forth herein.

NOW, THEREFORE, in consideration of the covenants herein and for other consideration, the receipt of sufficiency of which is acknowledged, the parties hereto intending to be legally bound do agree as follows:

- 1. Initial Franchise Fee.** For a 2-Pack of Sharkey’s Cuts for Kids franchise, Franchisee shall pay to Franchisor an initial franchise fee of \$231,990, payable \$196,490 upon execution of the Agreement, with the balance of \$35,500 due at signing of the lease for the second unit. For a 3-Pack of Sharkey’s Cuts for Kids franchise, Franchisee shall pay to Franchisor an initial franchise fee of \$339,990, payable \$269,990 upon execution of the Agreement, with the balance \$35,500 due at signing of the lease for the second unit and \$35,500 due at signing of the lease for the third unit. The initial franchise fee shall be deemed fully earned and non-refundable, in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise under the Agreement and for its lost or deferred opportunity to grant such franchise to another party.
- 2. Protected Areas.** Upon execution of the Agreements, provided Franchisee complies with the Development Schedule outlined herein, Franchisee shall have the exclusive right to open a Sharkey’s Cuts for Kids franchise in the Territories. Until Franchisee establishes a unit and commences business in the respective Territories, such Territories will remain non-exclusive, and the Franchisor and other franchisees may solicit and conduct business under the Marks in the Territories. Once Franchisee establishes a unit and commences business in a Territory, any clients and accounts in that Territory will become clients and accounts of Franchisee.
- 3. Development Schedule.** Franchisee shall establish a unit and commence business in its second and subsequent units within 12 months of establishing and commencing business with the previous unit, such that the second unit must be established and commence business within 12 months of the opening date of the first unit, the third unit must be established and commence business within 12 months of the second unit and so on.
- 4. Failure to Meet Development Schedule.** If Franchisee fails to meet Development schedule, it shall be a breach of any remaining Franchise Agreements for which a unit has not yet been established, and such Franchise Agreements shall be terminated. Any units that are already established and operating,

and are not otherwise in breach of their respective Franchise Agreements, may continue to operate and shall be unaffected.

- 5. Miscellaneous.** The Agreements, as amended hereto, are hereby ratified and confirmed, and shall continue in full force and effect, subject to the terms and provisions thereof and hereof. In the event of any conflict between the terms of the Agreements and the terms of this Addendum, the terms of this Addendum shall control. All terms defined in the Agreements shall have the same meaning in this Addendum.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective as of the date first above written.

FRANCHISEE:

FRANCHISOR:

Sharkey's Cuts for Kids International Co., LLC

Scott Sharkey, Manager

Attachment 6
SBA Addendum

ADDENDUM
RELATING TO A
SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC
FRANCHISE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as _____, by Sharkey's Cuts for Kids International Co., LLC, a Connecticut limited liability company located at 37 Highland Road, Westport, Connecticut 06880 ("Franchisor"), and _____, located at _____ ("Franchisee").

Recitals. Franchisor and Franchisee entered into a Franchise (or "License") Agreement on _____, 20____, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit # _____ ("Unit"). Franchisee has obtained from a lender a loan ("Loan") in which funding is provided with the assistance of the United States Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which all of the parties acknowledge, the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

2. Section 18.14 of the Franchise Agreement provides that: In order to prevent any interruption of the Salon operations which would cause harm to the Salon, depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Salon, operate the Salon for so long as Franchisor deems necessary and practical. This section is amended to state that Franchisor may operate the business for ninety (90) days (renewable as necessary for up to one year) and that Franchisor will periodically discuss the status with the Franchisee.

3. Section 18.15 of the Franchise Agreement provides that if the Franchisor determines in its sole judgment that the operation of the Franchisee's Salon is in jeopardy, or a default occurs, then in order to prevent an interruption of the business, the Franchisee authorizes the Franchisor to operate the Salon. This section is amended to state that Franchisor may operate the business for ninety (90) days and that Franchisor will periodically discuss the status with the Franchisee.

4. This Agreement automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Agreement as of the day and year first above written.

FRANCHISOR:

FRANCHISEE:

Sharkey's Cuts for Kids International Co., LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT
PERSONAL GUARANTY OF PRINCIPALS

AGREEMENT TO BE BOUND AND TO GUARANTEE

AGREEMENT, dated _____, executed by _____ (“Guarantor”) in favor of Sharkey’s Cuts for Kids International Co., LLC (“Sharkey’s”).

WHEREAS, as an inducement for Sharkey’s to execute and deliver, and to perform its obligations under, that certain Franchise Agreement (the “Franchise Agreement”), dated _____, by and between Sharkey’s and _____ (“Franchisee”), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee under the Franchise Agreement and have agreed to be bound by the confidentiality provisions and restrictive covenants contained in the Franchise Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agree that Sharkey’s will materially rely upon Guarantor’s obligations under this Agreement.

NOW, THEREFORE, in consideration of the foregoing promises and the execution and delivery of the Franchise Agreement by Sharkey’s, and the performance of Sharkey’s obligations thereunder, Guarantor agrees, for the benefit of Sharkey’s and its affiliates as follows:

1. Guarantor unconditionally guarantees and promises to pay to Sharkey’s and/or its affiliates and to perform, for the benefit of Sharkey’s and/or its affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchise Agreement or any other agreement with Sharkey’s or its affiliates.

2. (a) Guarantor agrees to be bound by the confidentiality provisions and restrictive covenants contained in the Franchise Agreement, including, without limitation, Section 13 thereof.

(b) Sharkey’s will be entitled to use the name, likeness and voice of Guarantor for purposes of promoting the franchise, Sharkey’s and its products, including all photos and audio and video recordings, and Guarantor hereby irrevocably consents thereto.

3. This is a guaranty of payment and not of collection. This Agreement shall remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally and irrevocably performed in full.

4. This Agreement shall not be affected in any way by (a) the absence of any action to obtain such amounts from Franchisee or any other guarantor or indemnitor or of any recourse to any security for such amounts or (b) any extension, waiver, compromise or release of any or all of the obligations of Franchisee or any guarantor.

5. Guarantor hereby agrees that he/she will not exercise any rights of subrogation which he/she may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Agreement unless and until all amounts payable to Sharkey’s or its affiliates, and all obligations for the benefit of Sharkey’s or its affiliates, shall have been validly, finally and irrevocably, paid and performed in full.

6. No failure or delay on the part of Sharkey’s or its affiliates in exercising its rights hereunder shall operate as a waiver of, or impair, any such right. No single or partial exercise of any such right shall preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such

right shall be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right shall be deemed a waiver of any other right hereunder. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

7. Guarantor shall pay reasonable attorneys' fees and expenses and all other costs and expenses which may be incurred by Sharkey's or its affiliates in connection with enforcing this Agreement.

8. This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Connecticut, notwithstanding any conflict-of-law rules to the contrary. Sharkey's and Guarantor hereby consent to the exclusive jurisdiction of the state and federal courts located in the State of Connecticut in connection with any dispute based on, arising out of or in connection with this Agreement.

9. This Agreement shall be binding upon Guarantor and his respective successors, heirs and assigns and shall inure to the benefit of Sharkey's, its affiliates and their respective successors and assigns.

10. If more than one person signs this Agreement as a Guarantor, his, her or its obligation shall be joint and several.

11. Name(s) of Guarantor(s): _____

Name of Franchisee: _____

EXECUTED as of: _____

Name: _____
(Print Name)

Name: _____
(Print Name)

Executed by: _____
(Sign Name)

Executed by: _____
(Sign Name)

CONSENT OF SPOUSE

The undersigned spouse of a party to the foregoing Agreement to be Bound and to Guarantee (the “Agreement”) confirms that he/she has read the Agreement, understands same and consents and agrees to the terms of the Agreement.

Date: _____

(Sign Name)

(Sign Name)

(Print Name)

(Print Name)

EXHIBIT E TO THE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC

GENERAL RELEASE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20__ by and between Sharkey's Cuts for Kids International Co., LLC, a Connecticut limited liability company having its principal place of business located at 37 Highland Road, Westport, Connecticut 06880 (the "Franchisor"), and _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor:**

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Connecticut law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of Connecticut.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness:

Witness:

RELEASOR:

(Name)

SHARKEY'S CUTS FOR KIDS
INTERNATIONAL CO., LLC:

By: _____

Name: _____

Title: _____

EXHIBIT F TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

| State | State Agency | Agent for Service of Process |
|--------------|---|--|
| CALIFORNIA | Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677) | Commissioner of the Department of Financial Protection and Innovation |
| CONNECTICUT | State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 | Banking Commissioner |
| HAWAII | Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 | Commissioner of Securities of the State of Hawaii |
| ILLINOIS | Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 | Illinois Attorney General |
| INDIANA | Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681 | Indiana Secretary of State 201 State House Indianapolis, IN 46204 |
| MARYLAND | Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 | Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 |
| MICHIGAN | Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117 | Michigan Department of Commerce, Corporations and Securities Bureau |
| MINNESOTA | Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500 | Minnesota Commissioner of Commerce |

| State | State Agency | Agent for Service of Process |
|--------------|--|--|
| NEW YORK | Office of the New York State Attorney General Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax | Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492 |
| NORTH DAKOTA | North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712 | North Dakota Securities Commissioner |
| OREGON | Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 | Director of the Department of Consumer and Business Services |
| RHODE ISLAND | Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585 | Director of Rhode Island Department of Business Regulation |
| SOUTH DAKOTA | Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 | Director of Insurance-Securities Regulation |
| VIRGINIA | State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051 | Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733 |
| WASHINGTON | Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760 | Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501 |
| WISCONSIN | Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559 | Commissioner of Securities of Wisconsin |

EXHIBIT G TO THE DISCLOSURE DOCUMENT

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**EXHIBIT H TO THE DISCLOSURE DOCUMENT
List of Franchisees**

| Domestic Outlets | |
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| ARIZONA: Sharkey's Cuts for Kids 2015 N Power Rd Mesa, Arizona 85215 480-844-4243 | ARIZONA: Sharkey's Cuts for Kids 2470 S Val Vista Dr Gilbert, Arizona 85295 480-636-8886 |
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| 612-419-6636 | (949) 764-9334 |
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| FLORIDA: Sharkey's Cuts for Kids 12574 SW 88th St Miami, Florida 33186 786-431-1532 | FLORIDA: Sharkey's Cuts for Kids 7028 Coral way Miami, Florida 33155 786-360-1552 |

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| <p>FLORIDA: Sharkey's Cuts for Kids 16656 Sheridan St Pembroke Pines, Florida 33028 (954) 505-7148</p> | <p>FLORIDA: Sharkey's Cuts for Kids 13136 N Dale Mabry Hwy Tampa, Florida 33618 (813) 442-8069</p> |
| <p>FLORIDA: Sharkey's Cuts for Kids 653 Bruce B Downs Blvd Wesley Chapel, Florida 33544 (813) 345-8424</p> | <p>FLORIDA: Sharkey's Cuts for Kids 2225 Aloma Ave Winter Park, Florida 32792 (407) 775-2767</p> |
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| NEVADA: Sharkey's Cuts for Kids 9420 W. Sahara Ave, Suite 104 Las Vegas, Nevada 89117 702-240-4595 | NEVADA: Sharkey's Cuts for Kids 641 Marks St, Suite C Henderson, Nevada 89014 702-547-0024 |
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| NEW YORK: Sharkey's Cuts for Kids 4885 Arthur Kill Road, Suite C Staten Island, New York 10309 (347) 838-6966 | NEW YORK: Sharkey's Cuts for Kids 1033 Lexington Avenue New York, NY 10021 Tel: 646-559-2150 |
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| OHIO: Sharkey's Cuts for Kids 693 Worthington Rd Westerville, Ohio 43082 (614) 568-8088 | OHIO: Sharkey's Cuts for Kids 4344 Belden Village St NW Canton, OH 44718 330-639-1200 |
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| *TEXAS: Sharkey's Cuts for Kids 238 N Loop 1604 W San Antonio, TX 78232 Tel: 210-496-9200 | *TEXAS: Sharkey's Cuts for Kids 6032 FM3009 Schertz, TX 78154 Tel:210- 858-8711 |
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| TEXAS: Sharkey's Cuts for Kids Houston, Texas 77008 jjblaschke@outlook.com (Not open as of 12/31/2022) | TEXAS: Sharkey's Cuts for Kids Houston, Texas 77008 (832) 437-0296 (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids Lewisville, Texas righthome68@gmail.com (Not open as of 12/31/2022) | TEXAS: Sharkey's Cuts for Kids Melissa, Texas edbmdallas@gmail.com (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids Midland, Texas lacyaltenhofen@gmail.com (Not open as of 12/31/2022) | TEXAS: Sharkey's Cuts for Kids Round Rock, Texas chris@3lgi.com (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids South Austin, Texas PKromis@pridgeonandclay.com (Not open as of 12/31/2022) | TEXAS: Sharkey's Cuts for Kids TBD, Texas righthome68@gmail.com (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids TBD, Texas righthome68@gmail.com (Not open as of 12/31/2022) | TEXAS: Sharkey's Cuts for Kids TBD, Texas allison.kiewiet@gmail.com (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids TBD, Texas | TEXAS: Sharkey's Cuts for Kids 22111 Oakcreek Hallow Lane |

| | |
|--|--|
| chris@3lgi.com (Not open as of 12/31/2022) | Katy, TX 77450 atef213@gmail.com (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids 2696 Waterford Way Carrollton, TX 75006 lindsjoy612@yahoo.com (Not open as of 12/31/2022) | TEXAS: Sharkey's Cuts for Kids 1509 Longhorn Trail Keller, TX 76248 charleslair@aol.com (Not open as of 12/31/2022) |
| TEXAS: Sharkey's Cuts for Kids 4017 Baybrook Drive, Midland, TX 79707 jasonandcatie14@gmail.com (Not open as of 12/31/2022) | |
| TEXAS: Sharkey's Cuts for Kids 2157 Wellings Court Cedar Park, TX 78613 Carloshollis@hotmail.com | TEXAS: Sharkey's Cuts for Kids 8712 Kirk Lane, North Richland Hills, TX 76182 Paulgause1963@yahoo.com |
| UTAH | |
| UTAH: Sharkey's Cuts for Kids 1644 Towne Center Dr South Jordan, Utah 84095 (385) 900-5795 | UTAH: Sharkey's Cuts for Kids 5642 South 900 East, Suite B4 Murray, UT 84121 385-347-5910 |
| UTAH: Sharkey's Cuts for Kids 1644 Towne Center Dr. #D1 South Jordan, UT 84095 801-854-5074 | UTAH: Sharkey's Cuts for Kids Salt Lake City, Utah 84111 (385) 900-5795 (Not open as of 12/31/2021) |
| UTAH: Sharkey's Cuts for Kids Salt Lake City, Utah 84111 (385) 900-5795 (Not open as of 12/31/2022) | UTAH: Sharkey's Cuts for Kids TBD, Utah gomezpazgr@gmail.com (Not open as of 12/31/2022) |
| UTAH: Sharkey's Cuts for Kids TBD, Utah gomezpazgr@gmail.com (Not open as of 12/31/2022) | |
| VIRGINIA | |
| VIRGINIA: Sharkey's Cuts for Kids 21040 Sycolin Road, Suite 110, Ashburn, Virginia 20147 | VIRGINIA: Sharkey's Cuts for Kids 14260 Centerville Square, Store No. 20 Centerville, Virginia 20121 |

| | |
|--|--|
| (571) 831-3990 | (571) 655-2356 |
| VIRGINIA: Sharkey's Cuts for Kids 8971 Ox Rd Lorton, Virginia 22079 703-690-0900 | VIRGINIA: Sharkey's Cuts for Kids 12320 TownCenter Plaza, Suite 271, Sterling, Virginia 20164 (571) 500-5859 |
| VIRGINIA: Sharkey's Cuts for Kids 1522 Belle View Boulevard Alexandria, Virginia 22307 (571) 371-8080 | VIRGINIA: Sharkey's Cuts for Kids 545 Hilltop Plaza Virginia Beach, VA 23454 757-937-5817 |
| VIRGINIA: Sharkey's Cuts for Kids 7395 Lee Hwy, Suite D Falls Church, VA 22042 571-378-0038 | VIRGINIA: Sharkey's Cuts for Kids South Riding, Virginia alexia.rivera@icloud.com (Not open as of 12/31/2022) |
| VIRGINIA: Sharkey's Cuts for Kids Glen Allen, Virginia 804-683-3399 (Not open as of 12/31/2022) | VIRGINIA: Sharkey's Cuts for Kids TBD, Virginia dbcblcva@gmail.com (Not open as of 12/31/2022) |
| VIRGINIA: Sharkey's Cuts for Kids Arlington, Virginia gdevinger@gmail.com (Not open as of 12/31/2022) | VIRGINIA: Sharkey's Cuts for Kids TBD, Virginia dbcblcva@gmail.com (Not open as of 12/31/2022) |
| VIRGINIA: Sharkey's Cuts for Kids TBD, Virginia gdevinger@gmail.com (Not open as of 12/31/2022) | VIRGINIA: Sharkey's Cuts for Kids 2157 Wellings CT Virginia Beach, VA 23455 <u>Carloshollis@hotmail.com</u> (Not open as of 12/31/2022) |
| VIRGINIA: Sharkey's Cuts for Kids 1772 Tiger Lily Circle Sterling, VA 22192 <u>monicajennings@gmail.com</u> (Not open as of 12/31/2022) | VIRGINIA: Sharkey's Cuts for Kids 12853 Mill Brook CT Woodbridge, VA22192 <u>gregoryj_peters@yahoo.com</u> (Not open as of 12/31/2022) |
| WASHINGTON | |
| *WASHINGTON Sharkey's Cuts for Kids 575 Bellevue Square Bellevue, WA 98004 Tel: 425-453-3446 | *WASHINGTON: Sharkey's Cuts for Kids 4609 14th Ave NW Seattle, WA 98107 Tel: 206-812-8850 |
| WASHINGTON: Sharkey's Cuts for Kids | WASHINGTON: Sharkey's Cuts for Kids |

| | |
|--|--|
| 6501 N Cedar Rd Spokane, Washington 99208 (509) 309-2594 | 1008 82 nd Ave NE Kenmore, WA 98028 esanchez108@gmail.com (Not open as of 12/31/2022) |
|--|--|

***LIST OF FRANCHISEES OF THE PREDECESSOR FRANCHISOR**

| International Outlets | |
|--|--|
| CANADA: Sharkey's Cuts for Kids 759 Pembina Hwy. Winnipeg, Manitoba R3M 2L9 Tel: 204-414-4550 | ISRAEL: Sharkey's Cuts for Kids Sderot Rothschild 9 Hadera, Israel 38443 Tel: 972-7-325-15151 |

EXHIBIT I TO THE DISCLOSURE DOCUMENT
FRANCHISEES WHO HAVE LEFT THE SYSTEM
as of December 31, 2022

Sharkey's Cuts for Kids International Co., LLC

Keith Warren
1040 Forestville Rd
Wake Forest, North Carolina 27587
(919) 554-2254

EXHIBIT J TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

ADDENDUM TO SHARKEY'S FRANCHISING CO. LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The franchise agreement requires binding arbitration. The arbitration will occur in Connecticut with the costs being borne by the franchisee and franchisor. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. Business and Professions Code Section 20040.5 relating to forum selection clauses restricting venue outside the state of California or arbitration may be preempted by the Federal Arbitration Act. Section 20040.5 may still apply to any provision relating to judicial proceedings. A binding arbitration provision may not be enforceable under generally applicable contract defenses, such as fraud, duress, or unconscionability.
7. The Franchise Agreement requires application of the laws of Connecticut. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. **THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.**
10. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

11. OUR WEBSITE, www.sharkeycutsforkids.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS at www.corp.ca.gov.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

Sharkey's Cuts for Kids International Co., LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC
DISCLOSURE DOCUMENT, AND FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law shall apply to an govern the Franchise Agreement.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s Financial condition.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside Illinois.

Franchisees’ 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.

If you elect to obtain financing from the franchisor, and you are married, your spouse is required to sign a personal guarantee.

You must participate in all promotional campaigns that the franchisor establishes

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated _____.

ATTEST
CO., LLC

Witness

Witness

SHARKEY’S CUTS FOR KIDS INTERNATIONAL

By: _____
Name: _____
Title: _____

FRANCHISEE:

**ADDENDUM TO THE SHARKEY’S CUTS FOR KIDS INTERNATIONAL CO., LLC
DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for Sharkey’s Cuts for Kids International Co., LLC the State of Maryland for Sharkey’s Cuts for Kids International Co., LLC Franchise Disclosure Document. The amendments to the Disclosure Document and agreements included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 etseq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The appropriate sections of the Franchise Agreement are hereby amended accordingly.

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

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are hereby amended accordingly.

5. Item 17 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement are amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **Based upon our financial condition, the Maryland Securities Commissioner requires that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the agreement.**

7. Attachment 2 of the Franchise Agreement is hereby amended to state: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

Sharkey’s Cuts for Kids International Co., LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

If the franchisor’s most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Marilyn McEwen
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

Sharkey’s Cuts for Kids International Co., LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO DISCLOSURE DOCUMENT, AND FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This addendum to the Disclosure Document is agreed to this day of _____, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and Section 14 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document and Section 15 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Stat. Sec. 80c.14, Subd.3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Disclosure Document.”

3. Item 17 of the Disclosure Document and Section 14 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.”

4. Item 17 of the Disclosure Document and Sections 3, 13.4, and 13.7 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Any limitations of claims must comply with Minnesota Statutes, Section 80C.17, Subd.5

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

Sharkey’s Cuts for Kids International Co., LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE SHARKEY'S FRANCHISING CO. LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

ATTEST

Sharkey’s Cuts for Kids International Co., LLC

By: _____

Witness

Name: _____
Title: _____

FRANCHISEE:

Witness

ADDENDUM TO SHARKEY’S FRANCHISING CO. LLC
DISCLOSURE DOCUMENT REQUIRED BY THE COMMONWEALTH OF VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Sharkey’s Cuts for Kids International Co., LLC for use in the Commonwealth of Virginia shall be amended as follows:

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

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

The Special Risks Page is hereby amended to include the following:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$163,420to \$225,495. This amount exceeds the franchisor's stockholder’s equity as of December 31, 2020, which is \$(4,831,128).

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

Sharkey’s Cuts for Kids International Co., LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE SHARKEY'S FRANCHISING CO. LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

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

In the State of Washington, we will defer the payment of the initial franchise fee, and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating. If the option for development rights is used as offered the collection of the development fee will be prorated with a portion of the development fee being collected after each unit opens.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

Sharkey's Cuts for Kids International Co., LLC

Witness

By: _____
Name: _____
Title: _____

Witness

FRANCHISEE:

**ADDENDUM TO THE SHARKEY'S FRANCHISING CO. LLC
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

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

Section 1 of the Multi-Unit Addendum is revised add the following statement:

In the State of Washington, we will defer the payment of the initial franchise fee, and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business, and it is operating. If the option for development rights is used as offered the collection of the development fee will be prorated with a portion of the development fee being collected after each unit opens.

Paragraph 5 of Attachment 2 to the Franchise Agreement is revised to state the following:

“Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement”

Attachment 2 of the Franchise Agreement, the “Franchisee Acknowledgment Statement” is revised to state that this Statement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100 and the rules adopted thereunder.

The undersigned does hereby acknowledge receipt of this addendum. Dated this _____ day of _____ 20_____.

FRANCHISOR

FRANCHISEE

ADDENDUM TO THE SHARKEY'S FRANCHISING CO. LLC
MULTI-UNIT ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

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

Section 3.1 of the Franchise agreement is revised add the following statement:

In the State of Washington, we will defer the payment of the initial franchise fee, and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business, and it is operating.

The undersigned does hereby acknowledge receipt of this addendum. Dated this _____ day of _____ 20____.

FRANCHISOR

FRANCHISEE

EXHIBIT K TO THE DISCLOSURE DOCUMENT
FORM OF RESTRICTIVE COVENANT

RESTRICTIVE COVENANT

AGREEMENT, dated as of _____, by _____ (“Employee”) and _____ (“Franchisee”).

WHEREAS, Franchisee is engaged in the business of providing hair styling services and family oriented entertainment and party services.

WHEREAS, Employee desires to be employed, or to continue to be employed, by Franchisee and/or attend the training program offered by Sharkey’s Cuts for Kids International Co., LLC, a Connecticut limited liability company (“Franchisor”).

WHEREAS, in connection therewith, Employee will have access and/or has had access to information that requires Franchisor’s and Franchisee’s highest trust and confidence in Employee.

WHEREAS, Employee acknowledges and agrees that Franchisee and Franchisor will materially rely upon Employee’s obligations under this Agreement.

NOW, THEREFORE, in consideration of the foregoing promises, the compensation paid or to be paid to Employees, and/or other good and valuable consideration, Employee covenants and agrees as follows:

1. Confidential Information.

(a) Employee acknowledges that Franchisor and Franchisee are engaged in a highly competitive business, the success of which is dependent upon, among other things, confidential and proprietary information, including, without limitation, Franchisor’s and Franchisee’s training materials, method of operation, business plans, techniques and procedures (collectively, the “Proprietary Information”). Employee further acknowledges that the Proprietary Information constitutes valuable trade secrets.

(b) Employee shall use Proprietary Information only in connection with the performance of its duties for Franchisee and shall not disclose any such information, either during the term of Employees employment or association with Franchisee or any time thereafter and shall take every reasonable precaution to safeguard all Proprietary Information. In connection therewith, Employee shall fully and strictly comply with all security measures prescribed by Franchisor and/or Franchisee for maintaining the confidentiality of all Proprietary Information.

(c) Upon the termination of Employee’s employment or association with Franchisee, Employee shall delivery promptly to Franchisee all documents containing Proprietary Information, whether or not prepared by or for Employee.

(d) Employee acknowledges that to breach its obligations under this Section 1 would cause damage to Franchisor, Franchisee and Franchisor’s other franchisees, and that Employee would be liable for such damage.

(e) Notwithstanding the foregoing, Employee may disclose Proprietary Information to a person who is bound by the terms of a similar provision or agreement regarding confidentiality and restrictive covenant contemplated by Section 2 hereof. In addition, notwithstanding the foregoing,

(f) Notwithstanding the foregoing, the following shall not be subject to the provisions of this Section 1:

(1) Information which is in the public domain as of the date of receipt by Franchisee;

(2) Information which becomes known to the public without a breach of any confidentiality agreement or provision in favor of Franchisor or Franchisee; and

(3) Information which is required by law to be disclosed or revealed, but only strictly to the extent required by law.

2. Covenant Not to Compete. Employee shall not, during the term of Employee's employment or other association with Franchisee or for the two (2) year period thereafter, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that provides hair styling services and/or family oriented entertainment and party services within fifty (50) miles of any Sharkey's Salon in the System.

3. Restriction on Hiring. Employee may not, during the term of Employee's employment or other association with Franchisee and for the two-year period thereafter, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), employ, hire or engage as an independent contractor or otherwise any person who is or was (at any time during the term of this Agreement) employed or engaged as an independent contractor or otherwise by Franchisor or any of its affiliates.

4. Use of Name, Likeness. Franchisor will be entitled to use the name, likeness and voice of Employee for purposes of promoting the franchise, Franchisor and its products, including all photos and audio and video recordings of Employee, and Employee hereby irrevocably consents thereto.

5. Reasonable Restraints; Remedies. Employee acknowledges that the covenants contained in this Agreement (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that his failure to adhere strictly to the restrictions contained herein shall cause substantial and irreparable damage to Franchisor, Franchisee and to Franchisor's other franchisees. In the event of any breach by Employee of any of the terms of this Agreement, Franchisor and/or Franchisee shall be entitled to institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor and/or Franchisee may be entitled. Employee agrees that the rights conveyed by this Agreement are a unique and special nature and that Franchisor's and Franchisee's remedy at law for any breach would be made inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision hereof, without the necessity of posting bond therefor or proof of actual damages.

6. Modification; Severability. If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction shall be enforced to maximum extent permitted by law, the Employee hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration shall not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

7. General and Miscellaneous.

(a) Entire Agreement; Amendment. This Agreement contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by each of the parties hereto. Nothing in this or any related agreement, however, is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document that was furnished to Franchisee by Franchisor.

(b) Binding Nature of Agreement. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(c) Governing Law. This Agreement and all questions relating to its validity, interpretation, performance and enforcement will be governed by and construed, interpreted and enforced in accordance with the laws of the State of Connecticut, notwithstanding any Connecticut or other conflict of laws provisions to the contrary. Employee and Franchisee hereby consent to the exclusive jurisdiction of the state and federal courts located in the State of Connecticut in connection with any disputed based on or arising out of this Agreement or any breach hereof.

(d) No Waiver. Franchisor or Franchisees failure to act with respect to a breach by Employee of this Agreement does not constitute a waiver of Franchisor's or Franchisee's right to act with respect to subsequent or similar breaches.

(e) Third Party Beneficiary. Franchisor is an express third-party beneficiary of this Agreement and may, directly or indirectly, enforce any obligation of Employee hereunder.

Employee has read this entire Agreement carefully and fully understands the limitations that this Agreement imposes upon Employee and acknowledges and agrees that those limitations are reasonable.

EXECUTED as of _____

Signature of Employee

Franchisee: _____

By: _____

Name: _____

Title: _____

EXHIBIT L

NOT FOR USE IN CALIFORNIA

SHARKEY'S CUTS FOR KIDS ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) 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.

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee (or Developer) acknowledges that it has received the Sharkey's Cuts for Kids International Co., LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such

products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE SHARKEY'S CUTS FOR KIDS INTERNATIONAL CO., LLC, AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

Initial

FRANCHISEE:

PRINCIPAL:

By: _____

(Print Name)

(Print Name, Title)

Date: _____

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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 states below:

| State | Effective Date |
|--------------|-----------------------|
| California | Pending |
| Hawaii | |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | December 20, 2022 |
| Minnesota | Pending |
| New York | Pending |
| North Dakota | |
| Rhode Island | February 17, 2023 |
| South Dakota | |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | Pending |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT M

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Sharkey’s Cuts for Kids International Co., LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Sharkey’s Cuts for Kids International Co., LLC 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, DC 20580 and to your state authority listed on Exhibit F.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

| | | |
|---|--|--|
| Scott Sharkey 37 Highland Road Westport, CT 06880 (203) 637-8911 | | |
|---|--|--|

Issuance Date: April 28, 2023

I received a Disclosure Document dated _____, that included the following Exhibits:

- EXHIBIT A: Financial Statements of Sharkey’s Cuts for Kids International Co., LLC
- EXHIBIT B: Application for Franchise
- EXHIBIT C: Franchise Agreement with Attachments
- EXHIBIT D: Personal Guaranty of Principals
- EXHIBIT E: Form of General Release
- EXHIBIT F: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT G: Operations Manual Table of Contents
- EXHIBIT H: Outlets as of the date of this Disclosure Document
- EXHIBIT I: Franchisees Who Have Left the System
- EXHIBIT J: State Addenda
- EXHIBIT K: Form of Restrictive Covenant
- EXHIBIT L: Sharkey’s Cuts for Kids Acknowledgment Statement
State Effective Page
- EXHIBIT M: Receipt

Date Received: DATE: _____
(If other than date signed)

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

Please return signed receipt to Sharkey’s Cuts for Kids International Co., LLC,
37 Highland Road
Westport, CT 06880

EXHIBIT M

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

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State Effective Page
- EXHIBIT M: Receipt

Date Received: DATE: _____
(If other than date signed)

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS